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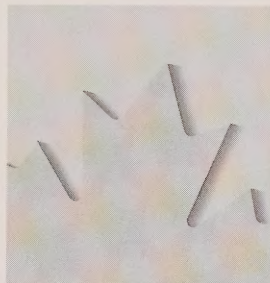
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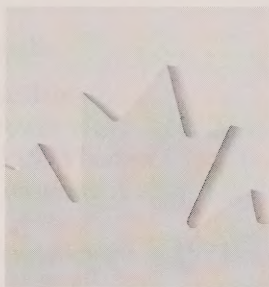
ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal year 1993-94



Canada



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This is the first edition of a new yearly publication – the *Annual Financial Report* of the Government of Canada. It covers the government's spending and revenue performance for the past fiscal year (April 1, 1993 – March 31, 1994), and discusses the factors affecting these results.

By introducing this new report, the government is responding to recommendations by the Auditor General and the House of Commons Public Accounts Committee. They felt – and the government strongly agrees – that Canadians need more timely access to understandable, relevant information on the government's financial activity. Only with such information can Canada's citizens play an active and effective role in guiding government decision-making.

The financial data in this report are based on the audited results which will appear in the Public Accounts of Canada, scheduled for tabling in the House of Commons this fall.

The Honourable Paul Martin P.C., M.P.
Minister of Finance



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REPORT HIGHLIGHTS

The federal deficit for 1993-94 was \$42 billion. This was the shortfall between government budgetary spending of \$158 billion, and budgetary revenues of \$116 billion. This \$42 billion deficit was:

- \$1.0 billion higher than the revised 1992-93 deficit of \$41 billion;
- \$9.4 billion higher than the deficit forecast (\$32.6 billion) made in the April 1993 budget; and
- \$2 billion below the deficit range (of \$44 billion to \$46 billion) forecast in the November 1993 Statement.

The improvement in the 1993-94 deficit compared to the November 1993 projection was the result of a range of factors, including:

- Better economic growth in the last quarter of 1993-94 than forecast. This provided higher-than-expected revenues, especially from corporate income taxes, lower unemployment insurance payouts, and lower public debt charges.
- The February 1994 budget included \$500 million for corporate income tax refund liabilities relating to the resource allowance tax issue. However, these liabilities have been reallocated to 1992-93 in the audited financial results – reflecting the timing of the Supreme Court decision not to hear the Government's appeal.

While the deficit increased last year, Canada's economy grew even faster. As a result, the \$42 billion deficit was equal to 5.9 per cent of Canada's yearly economic output (the GDP) – a slight improvement over the previous year, when the deficit equalled 6 per cent of GDP.

Each Canadian's share of the deficit – adults and children – was \$1,455 (up from \$1,437 the year before). This reflected government spending equal to \$5,473 per person, and government revenues equal to \$4,018 from each individual.

The public debt

The 1993-94 deficit brought Canada's net public debt – the accumulation of annual deficits and surpluses – to \$508.2 billion.

- As a share of Canada's economy, this deficit accumulation reached 71.4 per cent. This is the record high since the Second World War.
- On a per-person basis, the public debt at the end of 1993-94 reached \$17,484 for each and every Canadian – up from \$16,263 a year earlier.

Deficit growth

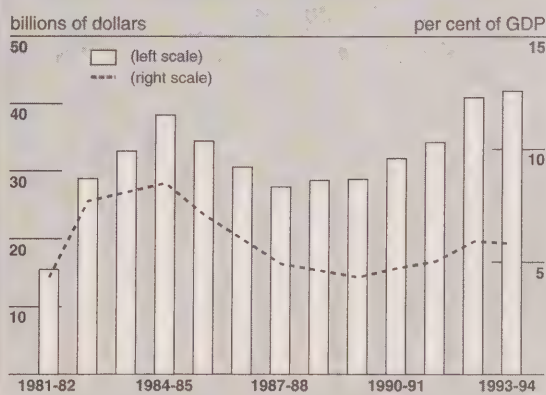
The \$1 billion increase in the deficit over 1992-93 was due to the lagged impact of the 1990-1991 recession and certain special factors. These were partially offset by increased corporate tax revenues and lower costs in a number of areas.

Table 1

Financial highlights

	1993-94	1992-93	1991-92
	(billions of dollars)		
Operating results			
Revenues	116.0	120.4	122.0
Program spending	-120.0	-122.6	-115.2
Debt charges	-38.0	-38.8	-41.2
Deficit	-42.0	-41.0	-34.4
Financial position			
Financial assets	35.9	35.4	40.5
Total liabilities	-544.1	-501.6	-465.7
Accumulated deficit (Net public debt)	-508.2	-466.2	-425.2
Financial results as % of GDP			
Deficit	5.9	6.0	5.1
Accumulated deficit	71.4	67.7	63.0

The deficit and the economy



Source: Public Accounts of Canada.

Putting upward pressure on the deficit were:

- higher refunds paid and lower taxes received with respect to the 1992 taxation year and transitional costs associated with restructuring the family allowance and other child-oriented tax benefits into the new, unified Child Tax Benefit (\$2.4 billion);
- faster processing of 1993 personal income tax refunds (\$1.8 billion). This meant a reduction in 1993-94 revenues;
- increased provision for stabilization liabilities – the potential cost of special financial assistance that can be provided to provinces when their revenues fall sharply (\$1.4 billion);
- defence restructuring costs, including a provision for penalties for the cancellation of the EH-101 helicopter project (\$0.7 billion);
- higher transfers to provinces for social assistance under the Canada Assistance Plan (\$0.6 billion).

While these costs pushed the deficit up, they were largely offset by corresponding savings or increased revenues, including:

- increased corporate income tax revenues (up by \$2.6 billion), reflecting improving corporate profitability and the recording of liabilities with respect to resource allowance refunds in 1992-93;
- lower payments to provinces under Established Programs Financing (a \$1.6 billion saving). Payments primarily fell because expenditures in 1992-93 had been raised to make up for underpayments in previous years;

- a drop in the number of unemployment insurance beneficiaries, which lowered unemployment insurance benefit payments (\$1.4 billion);
- lower expenditures related to Crown corporations (\$0.9 billion), due to extraordinary valuation adjustments made in 1992-93;
- lower public debt charges (\$0.8 billion) reflecting the impact of lower interest rates.

The April 1993 budget forecast

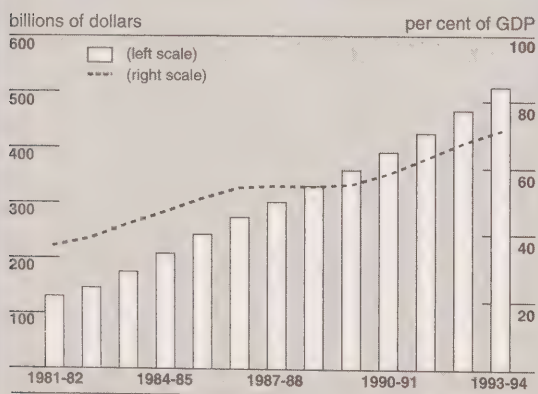
The \$42 billion deficit for 1993-94 is \$9.4 billion higher than forecast in the April 1993 budget. This is mainly due to much lower-than-expected revenues – reflecting the impact of the harsh recession on 1992 taxable incomes – and to the special factors noted above that were unforeseen when the 1993 budget was drafted.

1992-93 revisions

The deficit for 1992-93 – \$41 billion – has been revised from the previously reported figure of \$40.5 billion. This reflects the impact of changes in accounting policies to conform more completely with the spirit of the recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. These include:

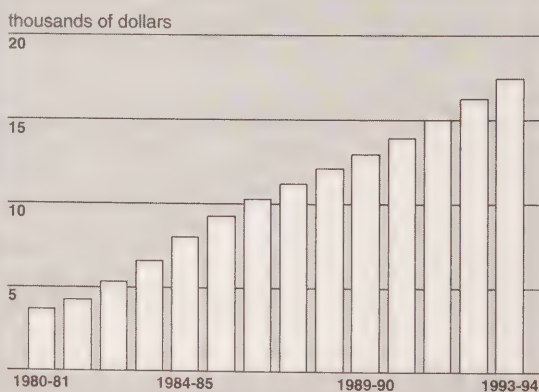
- the amortization of bond premiums, discounts and commissions (producing a saving of \$569 million); and
- accounting for significant and unusual income tax refunds on an accrual basis (producing an added “cost” of \$1.1 billion).

Net federal debt and the economy



Source: Public Accounts of Canada.

Net debt per capita



Source: Public Accounts of Canada.

ECONOMIC DEVELOPMENTS IN 1993

The main factors affecting the financial results are the variations in economic conditions, the interaction of the tax system with economic developments and the impact of budget actions.

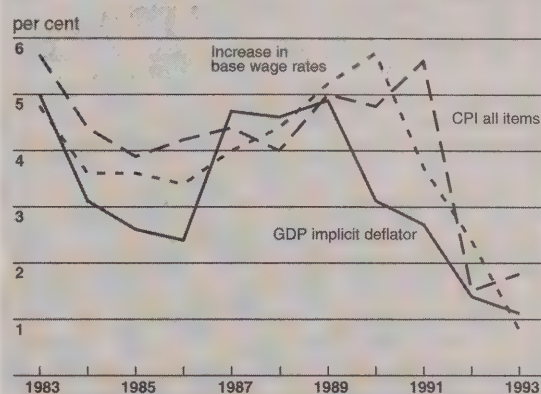
This section briefly looks at economic developments in 1993.

The economy strengthened in 1993. Real GDP – which excludes the effect of inflation – grew 2.2 per cent, following an increase of 0.6 per cent in 1992 and a decline of 1.8 per cent in 1991. By mid-1993, total output of goods and services had passed its previous peak reached in 1989.

The economic expansion in 1993 was based largely on continued strong growth of exports and increased spending on machinery and equipment. The growth in exports was aided by the lower value of the Canadian dollar but also by much improved cost performance of Canadian firms, which were better able to penetrate foreign markets.

Inflation in 1993 remained subdued despite the depreciation of the Canadian dollar and its upward impact on import prices. The consumer price index (CPI) inflation rate in 1993 was 1.8 per cent, up from 1.5 per cent in 1992. The GDP deflator increased only 1.1 per cent in 1993, compared to 1.4 per cent in 1992. The lower rate of increase in the GDP deflator than the CPI

Prices and costs



Source: Statistics Canada.

reflects weak commodity prices, and the fact that the GDP deflator does not reflect the changes in import prices.

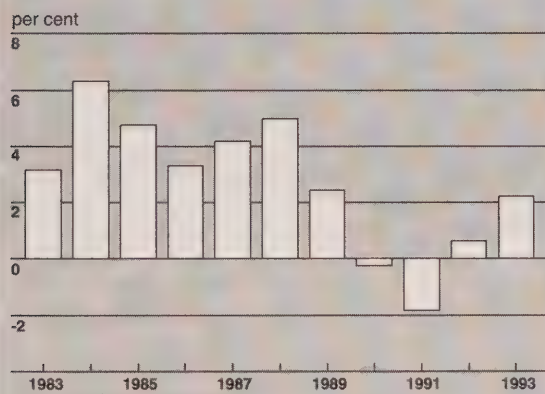
The key economic variables impacting on the federal government's financial results are personal income, corporate profits, consumer demand and interest rates.

Table 2

Key economic indicators

	1992	1993
	(year-to-year per cent change)	
Real GDP	0.6	2.2
Inflation:		
CPI	1.5	1.8
GDP implicit price deflator	1.4	1.1
Nominal GDP	2.0	3.4
Labour income	2.4	2.5
Corporate profits	-1.9	20.3
Personal expenditure on goods and services	2.6	3.4
Employment	-0.8	1.2
Interest rates		
90-day commercial paper rate (%)	6.7	5.0
10 + year Government bond rate (%)	8.8	7.8

Real GDP growth



Source: Statistics Canada.

Personal income, the tax base for personal income tax collections, advanced by only 2.3 per cent in 1993, virtually unchanged from the growth experienced in 1992. Labour income, which represents 63.3 per cent of personal income, increased by 2.5 per cent – basically unchanged from the annual rates of change witnessed in each of the previous two years. Most of the increase in labour income in 1993 resulted from higher employment, up 1.2 per cent in 1993, following declines in each of the previous two years. However, as over half of the gain in employment was due to an increase in part-time employment, average income growth remained restrained. Expressed on a per employee basis, labour income increased by 1.3 per cent in 1993, down from the increase of 3.2 per cent in 1992.

Among the other components of labour income, net income of unincorporated business advanced by 3.8 per cent, up from 3.0 per cent in 1992. Interest and investment income declined reflecting the decline in interest rates.

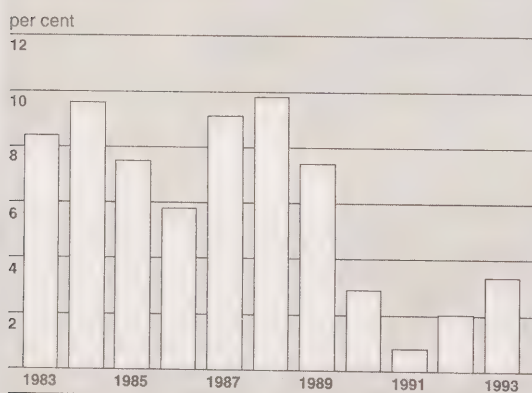
In contrast to the slow growth in labour income, corporate profits rose 20.3 per cent in 1993. This is the first annual increase in corporate profits

since 1988. The growth in profits reflects better cost control, advances in productivity and a lower dollar. However, corporate profits in 1993 were still almost 40 per cent below their 1988 peak.

Consumer spending on goods and services subject to the Goods and Service Tax and other indirect taxes advanced by 3.4 per cent in 1993, up from the increase of 2.6 per cent reported in 1992. There were substantial increases in spending on some goods such as automobiles, furniture, and household appliances.

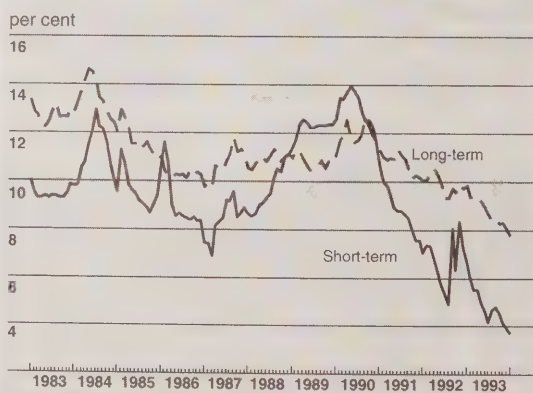
With subdued inflationary pressures and a relatively moderate pace of economic growth, monetary conditions continued to ease over the course of 1993. Both the value of the Canadian dollar and interest rates declined. Short-term interest rates fell from 7 per cent at the beginning of 1993 to below 4 per cent in early 1994. Long-term interest rates declined by 142 basis points from their level at the beginning of 1993.

Nominal GDP growth



Source: Statistics Canada.

Interest rates



Source: Statistics Canada.

BUDGETARY REVENUES

Table 3 shows budgetary revenues on both a budget or “net” basis as well as on a “gross” basis. The results on a gross basis are more reflective of the underlying economic developments, whereas the net figures reflect the way in which the figures are presented to Parliament. The difference primarily relates to two factors:

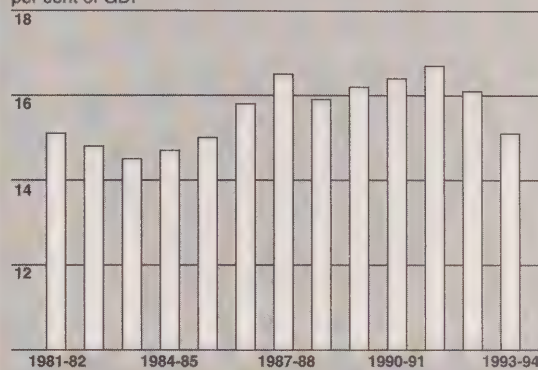
- certain expenditures determined through the income tax system, such as the Child Tax Benefit (which is netted from personal income tax), and the low-income GST Credit (which is netted from the GST), and
- certain revenues that are credited back to departments for specific services, such as the Air Transportation Tax (which is netted from air navigation expenditures).

Budgetary revenues, on a gross basis, amounted to \$128.3 billion in 1993-94, a decline of 0.9 per cent from 1992-93. The weakness in revenues in 1993-94 reflects a number of special factors, including:

- higher refunds paid and lower taxes received on filing pertaining to taxation year 1992;
- the faster processing of 1993 tax returns; and
- extraordinary recoveries in 1992-93 from the Provincial Tax Collection Account and payments in 1993-94 to the Provincial Tax Collection Account.

The tax bite

per cent of GDP



Source: Department of Finance.

The impact of these factors was largely offset by an improvement in the various tax bases, reflecting the gains in employment.

On a net basis, budgetary revenues amounted to \$116.0 billion, a decline of 3.7 per cent from the 1992-93 level. The larger decline on a net basis was due to the introduction of the Child Tax Benefit in January 1993.

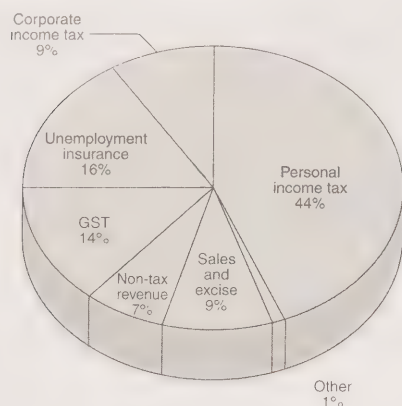
As a percentage of GDP, net tax revenues fell to 15.1 per cent, from 16.1 per cent in 1992-93. The decline in the ratio was largely due to special factors as noted earlier. Adjusting for these factors, the “tax bite” would have been virtually unchanged from 1992-93.

Table 3

Budgetary revenues

	1992-93		1993-94	
	Gross	Net	Gross	Net
(millions of dollars)				
Personal income tax	61,572	58,283	57,538	51,051
Corporate income tax	7,206	7,206	9,819	9,819
Unemployment insurance premiums	17,535	17,535	18,233	18,233
Goods and Services Tax	17,371	14,868	18,381	15,696
Sales and excise taxes/duties	11,710	11,212	11,469	10,939
Other tax revenue	1,462	1,462	1,594	1,594
Non-tax revenue	12,657	9,814	11,297	8,652
Total revenues	129,513	120,380	128,331	115,984

Net revenue for 1993-94



Source: *Public Accounts of Canada*.

The major components of budgetary revenues are:

- personal income tax revenues;
- corporate income tax collections;
- unemployment insurance premiums;
- Goods and Services Tax;
- sales and excise taxes, which include customs import duties, excise taxes on motive fuels, and excise taxes and duties, primarily on tobacco and tobacco products;
- other tax revenue, comprising non-resident tax and other tax revenues; and
- non-tax revenues, which include return on investments and other non-tax revenues.

Personal income tax collections, on a net basis, were down \$7.2 billion, primarily due to the one-time special factors and developments related to previous fiscal years. These include:

- the introduction of the Child Tax Benefit in January 1993, which is netted from personal income tax collections (-\$3.8 billion);
- higher refunds paid and lower taxes received on filing pertaining to taxation year 1992, which dampened collections in early 1993-94 (-\$2.4 billion);
- faster processing of 1993 personal income tax refunds in March 1994 (-\$1.8 billion); and,
- extraordinary Provincial Tax Collection Account recoveries in February 1993, due to overpayments with respect to taxation year

1991 (-\$1.0 billion), but payments to the Account in 1993-94 due to underpayments with respect to taxation year 1993 (\$1.0 billion).

Excluding these one-time factors, personal income tax collections increased on a year-over-year basis, in line with the gain in personal income.

Corporate income tax collections were up \$2.6 billion, or 36.3 per cent. This increase reflects both abnormally high refunds in 1992-93, including the recording of certain tax refund liabilities and increased corporate profits in 1993. The tax refund liabilities relate to the Supreme Court's decision not to hear the government's appeal concerning certain income tax issues dealing with the taxation of resource allowances in 1974 and 1975.

Unemployment insurance premiums were up \$0.7 billion, attributable to increases in employment and maximum insurable earnings, the base for premiums. Premium rates were basically unchanged.

Collections under the Goods and Services Tax were up 5.6 per cent, on a year-over-year basis. This increase was due to a pick-up in consumer demand and increased collection activities by Revenue Canada.

Sales and excise taxes and duties declined by 2.5 per cent.

- Customs import duties were down 4.2 per cent, in part reflecting reductions in tariffs under the Canada-United States Free Trade Agreement.
- Sales and excise taxes were down 1.5 per cent, primarily due to reduced domestic tax-paid sales of tobacco products.

Other tax revenues were up 9.0 per cent, primarily due to higher non-resident taxes due to the increase in corporate profits.

The decline in non-tax revenues was due largely to reduced Exchange Fund Account earnings and Bank of Canada profits, in part reflecting lower interest rates.

BUDGETARY EXPENDITURES

Table 4 presents budgetary expenditures on both a gross and net basis. Gross budgetary expenditures include certain expenditures that are determined through the income tax system, such as the Child Tax Benefit and low-income GST Credit. In addition, gross expenditures exclude certain revenues which are directly related to the services being provided, which on a net basis are credited directly to the department providing the service.

Budgetary expenditures, on a gross basis, declined by \$0.2 billion or 0.1 per cent in 1993-94 from that reported in 1992-93. Lower spending on public debt charges, unemployment insurance benefit payments, and on payments made to Crown corporations were virtually offset by increased spending on child tax benefits, elderly benefits and defence spending.

Table 4

Budgetary expenditures

	1992-93		1993-94	
	Gross	Net	Gross	Net
	(millions of dollars)			
Major transfers to persons				
Unemployment insurance benefits	19,006	19,065	17,587	17,626
Old age security benefits	18,758	19,106	19,578	19,903
Family allowances/Child Tax Benefit	5,514	2,194	6,476	7
Veterans' allowances	1,459	1,459	1,444	1,444
<i>Total</i>	<i>44,737</i>	<i>41,824</i>	<i>45,085</i>	<i>38,980</i>
Major transfers to other levels of government				
Established programs financing	11,194	11,194	9,610	9,610
Fiscal transfers	9,083	9,083	10,581	10,581
Canada Assistance Plan	6,686	6,686	7,236	7,236
<i>Total</i>	<i>26,963</i>	<i>26,963</i>	<i>27,427</i>	<i>27,427</i>
Other major transfers/subsidies				
Agricultural subsidies	2,146	2,146	1,425	1,425
Indian and Inuit programs	3,915	3,915	4,219	4,219
Industrial, Science and Technology	1,425	1,425	1,268	1,268
Job creation/labour adjustment	1,438	1,438	1,391	1,391
External Affairs	2,537	2,537	2,380	2,380
Other	8,092	5,212	9,345	6,278
<i>Total</i>	<i>19,553</i>	<i>16,673</i>	<i>20,028</i>	<i>16,961</i>
Total transfers	91,253	85,460	92,540	83,368
Payments to major Crown corporations				
Canada Mortgage and Housing Corporation	1,979	1,979	1,945	1,945
Canadian Broadcasting Corporation	1,110	1,110	1,090	1,090
Other	3,791	3,130	2,878	2,263
<i>Total</i>	<i>6,880</i>	<i>6,219</i>	<i>5,913</i>	<i>5,298</i>
Defence				
Personnel	5,841	5,841	5,744	5,744
Capital	2,601	2,601	2,571	2,571
Other operating	2,869	2,497	3,311	2,995
<i>Total</i>	<i>11,311</i>	<i>10,939</i>	<i>11,626</i>	<i>11,310</i>
All other departmental spending				
Personnel	12,674	12,674	12,987	12,987
Capital	1,864	1,864	2,110	2,110
Other operating	7,727	5,420	7,185	4,941
<i>Total</i>	<i>22,265</i>	<i>19,958</i>	<i>22,282</i>	<i>20,038</i>
Total program expenditures	131,709	122,576	132,361	120,014
Public debt charges	38,825	38,825	37,982	37,982
Total budgetary expenditures	170,534	161,401	170,343	157,996

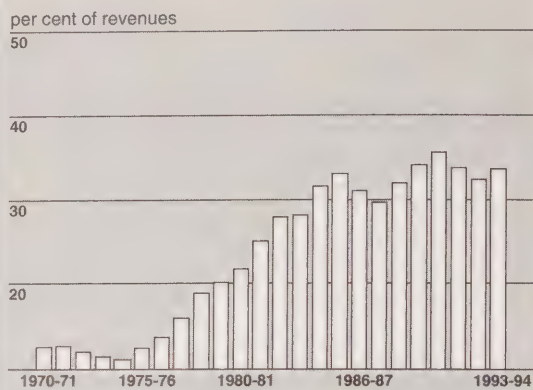
On a net basis, budgetary expenditures declined by \$3.4 billion, or 2.1 per cent. The much larger decline on a net basis was due to the restructuring of the child benefit system, which among other things, replaced the monthly family allowance benefit payment which was part of budgetary expenditures, by the Child Tax Benefit, which is netted from budgetary revenues.

As a percentage of net budgetary revenues, net budgetary expenditures, or the "expenditure ratio" stood at 136.2 per cent, compared to 134.1 per cent in 1992-93. This implies that in 1993-94 the government spent 36 per cent more than it received in revenues. This had to be financed by borrowings and non-budgetary transactions.

Public debt charges declined by 2.2 per cent in 1993-94, reflecting the impact of the decline in interest rates throughout most of 1993-94. The average effective interest rate on the federal unmatured debt at March 31, 1994 amounted to 6.76 per cent, down 112 basis points from March 31, 1993. The impact of the decline in interest rates more than offset the increases in gross unmatured debt, which rose by \$31.2 billion to reach \$414.0 billion at March 31, 1994.

As a percentage of budgetary revenues, public debt charges rose from 32.3 per cent in 1992-93 to 32.7 per cent in 1993-94. This means that the government spent nearly 33 cents of every revenue dollar in 1993-94 for interest on the public debt.

The interest bite



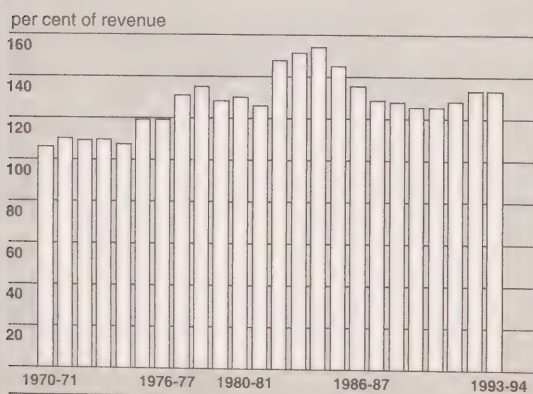
Source: Department of Finance.

Net program spending – net budgetary expenditures less public debt charges – declined by \$2.6 billion in 1993-94 or by 2.1 per cent. As a percentage of net revenues, program spending, or the "program share" amounted to 103.5 per cent in 1993-94. However, as noted above, budgetary revenues in 1993-94 were dampened by the inclusion of a number of extraordinary factors. Adjusting for these, the "program share" would have been about 100 per cent.

Program spending can be divided into the following major components:

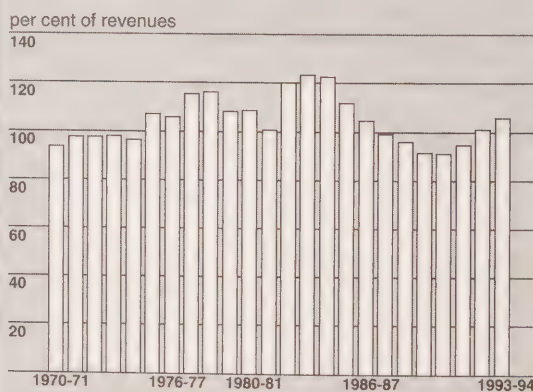
- transfer payments, of which the largest portion goes to persons and to other levels of government;

The expenditure ratio



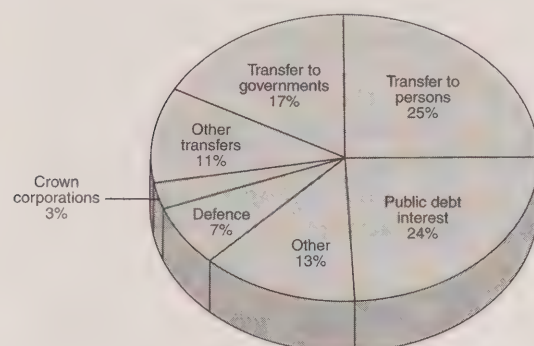
Source: Department of Finance.

Program share



Source: Department of Finance.

Total net expenditure for 1993-94



Source: *Public Accounts of Canada*.

- expenditures related to Crown corporations;
- defence; and
- operating and capital costs of government.

The decline in net transfer payments was largely attributable to the following:

- the replacement of the monthly family allowance benefit, which was part of program spending, with the child tax benefit, which is netted from personal income tax collections (\$2.2 billion reduction in program spending);
- lower transfer payments to provinces under Established Programs Financing. This is due to large retroactive payments in 1992-93 relating to census population adjustments with respect to previous fiscal years, and the ongoing impact of restraint measures announced in previous budgets (\$1.6 billion); and
- lower unemployment insurance benefits, primarily reflecting the structural changes announced in the December 1992 Economic and Fiscal Statement. These changes reduced the benefit rate for new beneficiaries from 60 per cent to 57 per cent of maximum insurable earnings, effective April 1993, and excluded those who quit their jobs without just cause (\$1.4 billion). While the number of unemployed was virtually unchanged between 1992 and 1993, the number of people eligible for unemployment insurance benefits declined by 7 per cent.

Among the other transfer components:

- elderly benefit payments were up \$0.8 billion, primarily reflecting increases in the eligible population;
- Canada Assistance Plan transfers were up \$0.6 billion; and
- funding to Indian and Inuit programs by the Department of Indian Affairs and Northern Development was up \$0.3 billion;
- Most other components of transfers were lower in 1993-94 than in 1992-93.

Expenditures related to Crown corporations declined by \$0.9 billion, or 14.8 per cent. This decline was largely due to large valuation adjustments made in 1992-93 which were not repeated in 1993-94.

Defence spending was up, due to the one-time costs associated with the cancellation of the EH-101 helicopter project and restructuring costs associated with the downsizing of National Defence, as announced in the February 1994 budget.

Other program spending includes the costs of government administration and specific services delivered to the public, such as:

- health care to natives and veterans;
- research undertaken by government employees;
- the operation of airports and national parks;
- collection of taxes;
- the operation of federal correctional institutions and the provision of police services; and
- the delivery of programs.

Spending in this area was up \$82 million or 0.4 per cent above 1992-93. Personnel costs in 1993-94 were only nominally above the 1992-93 level. This reflects the impact of the salary and wage freeze announced in the December 1992 *Economic and Fiscal Statement* as well as cuts to most departmental operating budgets. Offsetting these factors were increased workload costs incurred by National Revenue and the Solicitor General, the costs of the 1993 general election and increased spending by Transport for highway construction.

FINANCIAL REQUIREMENTS AND DEBT

Financial requirements measure the amount by which cash going out from the Government exceeds cash coming in. Financial requirements are usually lower than the deficit, as they also include the net source of funds from non-budgetary transactions. The latter includes transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in 1993-94 resulted in a net source of funds amounting to \$12.2 billion, compared to \$6.5 billion recorded in 1992-93. This increase primarily reflects the fact that increased liabilities were incurred during 1993-94 for which no cash outlay was made in 1993-94.

The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfils this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

During 1993-94, foreign exchange transactions provided a net source of funds amounting to \$3.1 billion, compared to \$7.7 billion from

1992-93. The decline reflects the larger depreciation in the Canadian dollar in 1992-93 than in 1993-94.

Total financial requirements, including foreign exchange transactions, therefore were \$26.7 billion in 1993-94, virtually unchanged from the net requirement in 1992-93.

To finance these requirements, the Government borrows from the private sector and/or draws down its cash reserves. Total borrowings from the private sector (unmatured debt transactions) amounted to \$26.0 billion in 1993-94, down \$2.9 billion from borrowings on the financial markets last year. Cash balances, as at March 31, 1994, stood at \$2.1 billion, down \$0.7 billion from 1992-93.

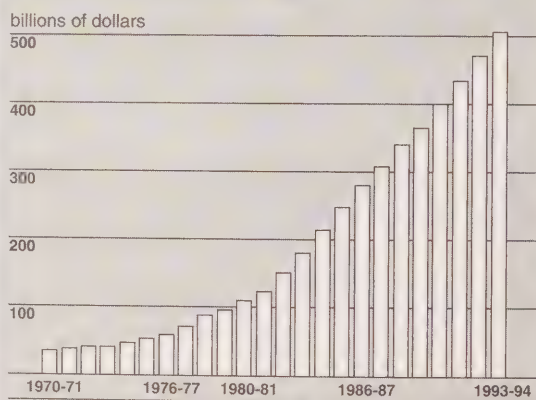
Interest-bearing debt, which includes unmaturing debt and borrowings from pension accounts, amounted to \$510.8 billion in 1993-94, up \$37.3 billion from 1992-93. Of this amount, \$10.7 billion was payable in foreign currencies, nearly double the 1992-93 level.

Table 5

Financial requirements and the debt

	1993-94	1992-93	1991-92
	(billions of dollars)		
Budgetary deficit	-42.0	-41.0	-34.5
Non-budgetary transactions	12.2	6.5	2.7
Foreign exchange transactions	3.1	7.7	0.9
Financial requirements	-26.7	-26.8	-30.9
Increase in unmaturing debt	26.0	28.9	29.1
Change in cash balances	-0.7	2.1	-1.8

Interest-bearing debt

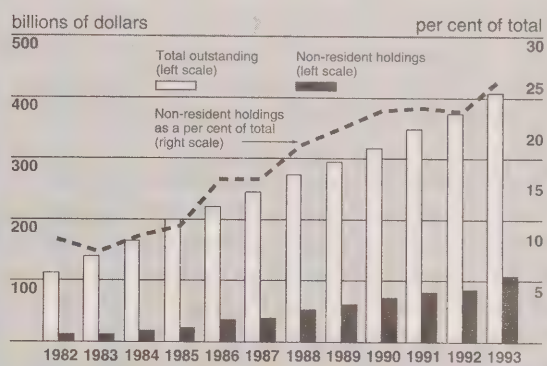


Source: *Public Accounts of Canada*.

Table 6

Outstanding debt at year-end

	1993-94	1992-93	1991-92
	(billions of dollars)		
Unmatured debt	414.0	382.7	351.9
Pension liabilities	96.8	90.8	85.1
Total interest-bearing debt	510.8	473.5	437.0
Other liabilities	33.3	28.1	28.7
Total liabilities (Gross debt)	544.1	501.6	465.7
Less: financial assets	35.9	35.4	40.5
Accumulated deficit (Net debt)	508.2	466.2	425.2

Foreign holdings of Government of Canada debtSource: Bank of Canada *Review*.

Foreign holdings of the Government of Canada's outstanding market debt are estimated to have reached \$110 billion at the end of March 1994. This represented 26 per cent of the Government's total market debt.

THE "SCORECARD"

This section compares the actual outcome for selected economic indicators and for the financial results with the forecasts presented in the April 1993 and February 1994 budgets.

In the April 1993 budget, the deficit for 1993-94 was forecast at \$32.6 billion, \$9.4 billion lower than the audited outcome. The April 1993 budget deficit forecast was based on the assumption that real GDP would advance by about 3 per cent, that inflation, as measured by the GDP deflator, would increase by 1.6 per cent, and that nominal GDP would increase by 4.6 per cent. It also assumed that short-term interest rates would decline to 5.3 per cent and long-term rates to 7.7 per cent.

Economic growth, both real and nominal GDP, turned out less robust than forecast in the April 1993 budget. Nominal income in 1993 was nearly \$7.5 billion lower than forecast, resulting in lower income tax collections. Short-term interest rates fell by more than forecast, which in turn impacted favourably on public debt charges.

The net impact of the changes in the 1993 economic assumptions was largely offsetting. The lower-than-expected growth in nominal income on budgetary revenues was offset by lower unemployment insurance benefit payments and lower public debt charges.

Table 7

The scorecard

	Actual	April 1993 budget	February 1994 budget
		(per cent)	
Economic indicators			
Real GDP	2.2	2.9	2.5
Inflation			
CPI	1.8	2.5	1.8
GDP deflator	1.1	1.6	0.8
Nominal GDP	3.4	4.6	3.3
Interest rates			
90-day commercial paper rate	5.0	5.3	5.0
10 + year government bond rate	7.8	7.7	7.2
Financial results			
		(billions of dollars)	
Budgetary revenues			
Personal income tax	51.1	58.1	52.1
Corporate income tax	9.8	9.7	8.8
Unemployment insurance premiums	18.2	19.0	18.0
Goods and Services Tax	15.7	17.4	15.6
Sales and excise taxes/duties	10.9	12.1	10.5
Other revenues	10.2	10.6	9.7
<i>Total</i>	<i>116.0</i>	<i>126.9</i>	<i>114.7</i>
Program spending			
Major transfers to persons	39.0	41.0	40.3
Major transfers to other levels of government	27.4	26.4	27.1
Other transfers	17.0	16.0	16.0
Payments to Crown corporations	5.3	4.7	4.9
Defence	11.3	11.3	12.0
Government operations	20.0	20.6	21.5
<i>Total</i>	<i>120.0</i>	<i>120.0</i>	<i>121.8</i>
Public debt charges	38.0	39.5	38.5
Deficit	-42.0	-32.6	-45.7
Non-budgetary transactions	12.1	6.1	12.0
Financial requirements (excluding foreign exchange transactions)	-29.9	-26.5	-33.7

The difference between the April 1993 budget deficit forecast and actual outcome is attributable to developments affecting previous fiscal years and special factors. These included:

- higher refunds paid and lower taxes received on filing in early 1993-94 pertaining to the 1992 taxation year;
- faster processing of personal income tax refunds in March 1994;
- inadequate provisioning for provincial claims under the Stabilization program;
- restructuring costs associated with the downsizing of National Defence and the cancellation of the EH-101 helicopter project;
- the decision not to proceed with the April 1993 budget announcement to pay the low-income GST credit semi-annually rather than quarterly; and
- the increase in underground economic activity largely because of increased tobacco smuggling.

In terms of specifics, revenues were \$10.9 billion lower than forecast in the April 1993 budget. Personal income tax collections were \$7.1 billion lower due to slower-than-expected growth in personal income, lower taxes paid on filing and higher refunds pertaining to the 1992 taxation year, and the faster processing of personal income tax refunds.

Unemployment insurance premiums were overestimated by \$0.7 billion, reflecting slower-than-expected growth in employment and average earnings.

GST revenues were down \$1.7 billion, of which \$0.6 billion relates to the decision not to change the payment of the low-income GST credit from quarterly to semi-annual payments. Most of the remaining difference relates to the timing of credit and rebate payments.

Reduced domestic tax-paid sales of tobacco products account for most of the overestimation of sales and excise taxes and duties. Other

revenues were lower due to the impact of lower-than-expected interest rates on federal cash holdings.

Total program spending, at \$120.0 billion, was identical to the April 1993 budget forecast. However, there were significant differences among components. Major transfers to persons were lower, primarily reflecting lower unemployment insurance benefit payments. In contrast, major transfers to provinces were higher due to the increased liability under the Stabilization program. Differences among the other components were due to reallocations among the components as well as to increased provisioning for liabilities.

Public debt charges were lower, primarily due to the impact of lower-than-estimated interest rates as well as the impact of the accounting change, from cash to accrual, relating to the recording of discounts and premiums on marketable debt.

In the February 1994 budget, the mid-point of a range of \$44 to \$46 billion was used for presentational purposes. The February 1994 budget assumed no revenue growth in the final quarter of the fiscal year and contained increased contingencies for unanticipated developments. In addition, the February 1994 budget included \$500 million for corporate income tax refund liabilities relating to the resource allowance tax issue.

The deficit outcome was \$2.0 billion below the lower end of that range. Revenues, especially corporate income tax collections, did pick up somewhat in the final quarter and not all of the contingencies were required. A change in accounting policy for large and unusual refunds moved the resource allowance tax liability from 1993-94, as assumed in the budget, to 1992-93. Public debt charges were lower due to the impact of the accounting change, from cash to accrual, relating to the recording of discounts and premiums.



OPINION OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance,

I have audited, in accordance with generally accepted auditing standards, the statement of assets and liabilities of the Government of Canada as at March 31, 1994 and the statements of revenue and expenditure, accumulated deficit, changes in financial position and transactions for the year then ended. In my report to the House of Commons dated July 26, 1994, I expressed an unqualified opinion on those financial statements. My audit report and the financial statements will be included in Volume I of the 1994 Public Accounts which is expected to be tabled in the House of Commons later this year.

In my opinion, the accompanying condensed financial statements of revenue and expenditure, assets and liabilities, and changes in financial position fairly summarize, in all material respects, the related information contained in the full financial statements from which they have been derived.

A handwritten signature in cursive script, reading "L. Denis Desautels".

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 26, 1994

CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide an overview to Parliament, and thus to the public, of the full nature and extent of the financial affairs and resources for which the government is responsible. Responsibility for the integrity and objectivity of the condensed financial statements rests with the government.

The condensed financial statements reflect the financial position of the government at the end of the year, as well as its operations, deficit,

financial requirements and changes in financial position for the year. These financial statements and the accompanying notes are extracted and summarized from the audited financial statements of the government. The audited financial statements are included in Section 1 of Volume 1 of the 1994 Public Accounts which are expected to be tabled in Parliament in October 1994. These condensed financial statements were prepared by the Government of Canada in accordance with the accounting policies set out in the accompanying notes.

Table 8

Government of Canada Condensed statement of revenue and expenditure for the year ended March 31, 1994

	1994	1993
	(in millions of dollars)	
Revenue⁽¹⁾		
Gross tax revenue		
Income tax	86,862	87,504
Excise taxes and duties	29,850	29,081
Other	322	271
<i>Total</i>	<i>117,034</i>	<i>116,856</i>
Gross non-tax revenue	11,297	12,657
Total gross revenues	128,331	129,513
Amounts deducted to arrive at net revenues	-12,347	-9,133
Net revenues	115,984	120,380
Expenditure		
Gross transfer payments		
Old age security and related payments	19,578	18,758
Unemployment insurance benefits	17,587	19,006
Payments to other levels of government	26,273	25,847
Other transfer payments	29,102	27,642
<i>Total</i>	<i>92,540</i>	<i>91,253</i>
Gross Crown corporations expenditures	5,913	6,880
Other gross program expenditures	33,908	33,576
<i>Program spending</i>	<i>132,361</i>	<i>131,709</i>
Public debt charges	37,982	38,825
Total gross expenditures	170,343	170,534
Amounts deducted to arrive at net expenditures	-12,347	-9,133
Net expenditures	157,996	161,401
Deficit for the year	42,012	41,021
Accumulated deficit		
Beginning of year (restated per Note 2)	466,198	425,177
End of year	508,210	466,198

⁽¹⁾ All detailed amounts on this statement are reported on a gross basis; see Reporting of Revenue and Expenditure on a Gross Basis (page 20) for an explanation.

Table 9

Government of Canada
Condensed statement of assets and liabilities
as of March 31, 1994

	1994	1993
	(in millions of dollars)	
Liabilities		
Current liabilities		
Account payable and accruals	21,111	16,698
Allowance for guarantees and employee benefits	8,485	7,840
Other	3,710	3,543
	<u>33,306</u>	<u>28,081</u>
Pension accounts		
Canada Pension Plan (net of securities held)	2,728	2,839
Public sector pensions	94,097	87,911
	<u>96,825</u>	<u>90,750</u>
Unmatured debt		
Marketable bonds	208,464	181,322
Canada Savings Bonds	31,331	34,369
Treasury bills	166,000	162,050
Others	8,180	5,000
	<u>413,975</u>	<u>382,741</u>
Total liabilities	544,106	501,572
Assets		
Current assets		
Cash	1,435	2,584
Accounts receivable (net of allowance for doubtful accounts)	3,941	3,968
	<u>5,376</u>	<u>6,552</u>
Foreign exchange accounts including gold	12,925	10,797
Loans, investments and advances		
Enterprise Crown corporations	19,188	19,537
Other	14,407	13,793
	<u>33,595</u>	<u>33,330</u>
Less: allowances for valuation	16,000	15,305
	<u>17,595</u>	<u>18,025</u>
Total financial assets	35,896	35,374
Accumulated deficit	508,210	466,198

Notes to Government of Canada
condensed financial statements

Introduction

These notes are a brief summary of the accounting policies followed by the Government of Canada and other explanatory material related to the condensed financial statements. For more detailed notes on accounting policies and for more extensive information on the financial position and results of operations of the government, the reader is referred to the detailed audited financial statements in Section 1 of Volume 1 of the 1994 Public Accounts.

Significant accounting policies

Reporting entity

The Government of Canada, as a reporting entity, comprises the financial activities of all organizations and funds which are owned or controlled by the government and which are accountable to Parliament. All these organizations are consolidated in the financial statements except the Canada Pension Plan and enterprise Crown corporations. Legislation does not require the Canada Pension Plan Account to be determined on an actuarial basis and limits the government's authority to pay benefits under the Plan to the balance in that Account. Enterprise Crown corporations, which are reported as investments, are defined as those which carry

Table 10

Government of Canada
Condensed statement of changes in financial position
for the year ended March 31, 1994

	1994	1993
	(in millions of dollars)	
Cash requirements for:		
Operating activities		
Deficit for the year	42,012	41,021
Less items not requiring cash	13,801	11,246
<i>Cash required to meet deficit</i>	<i>28,211</i>	<i>29,775</i>
Net change in current assets and liabilities, and payments from pension and other accounts	1,779	3,705
<i>Cash required for operating activities</i>	<i>29,990</i>	<i>33,480</i>
Investing activities		
Net increase in loans, investments and advances	265	1,521
Cash requirements before foreign exchange transactions	30,255	35,001
Net increase (decrease) in foreign exchange accounts	2,128	(5,748)
Total cash requirements	32,383	29,253
Financed by:		
Net increase in borrowings		
Canadian currency	25,975	28,891
Foreign currency	5,259	1,965
	31,234	30,856
Net increase (decrease) in cash balances	(1,149)	1,603
Cash at beginning of year	2,584	981
Cash at end of year	1,435	2,584

on commercial activity with outside parties and are not financially dependent on parliamentary appropriations.

Accounting principles

In general, the government accounts for transactions on an accrual basis with two notable exceptions.

- Tax revenues and refunds are accounted for on a cash basis (when taxes are collected and when refunds are paid out) except for significant and unusual refunds which are reported on an accrual basis.
- Capital assets, and inventories, are fully charged to expenditures at the time of acquisition or construction.

As a consequence of these principles, only financial assets are recorded on the Statement of Assets and Liabilities. Financial assets are those which could provide resources to discharge liabilities or finance future operations. They include cash, gold, receivables, loans and

investments. Assets are recorded at the lower of cost or net expected realizable value, except for gold (1994 – 5.6 million ounces at \$68.40 per ounce; 1993 – 9.1 million ounces at \$61.57 per ounce), which is valued at its approximate cost in foreign currency terms. Tax revenue receivable is not recorded since tax revenue is accounted for on a cash basis.

All liabilities are recorded on an accrual basis. Public sector pension liabilities are determined on an actuarial basis and allowances are established for outstanding loan guarantees, employee benefits and other obligations. Unmatured debt is recorded at face value. Unamortized discounts and premiums on unamatured debt are netted with accounts payable and accruals.

Changes in accounting policies

In 1994, changes have been made in accounting policies for loans expected to be repaid through future appropriations, for the amortization of premiums and discounts on marketable bonds and commissions on Canada Savings Bonds, and

for significant and unusual tax refunds. The effect of these changes is to increase the accumulated deficit at the beginning of the year by \$0.9 billion (\$0.4 billion in 1993).

Reporting of revenue and expenditure on a gross basis

Detailed amounts on the condensed Statement of Revenue and Expenditure are presented on a full (gross) basis only. Gross revenue includes revenue of consolidated Crown corporations, and revenue of government departments which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditure includes expenditures determined through the tax system, such as child tax benefits payments and quarterly GST tax credits, that are deducted from revenue on the net basis. The Statement of Revenue and Expenditure in the audited financial statements in Section 1, Volume 1 of the Public Accounts presents detailed amounts on both a gross and net basis.

Authorities for transactions

Authority of Parliament is required before revenue can be raised and moneys spent or borrowed by the government. Spending authorities granted by Parliament were \$161.0 billion (\$164.5 billion in 1993), whereas \$158.0 billion (\$161.4 billion in 1993) was spent. Of the total borrowing authority of \$44.3 billion (\$32.9 billion in 1993), \$30.8 billion (\$30.7 billion in 1993) on an adjusted basis was used.

Public sector pensions

Separate funds are not set aside to provide for payment of pensions to government employees, members of Parliament, the Canadian forces, the RCMP, and judges. The government's actuarial estimates for pension liabilities to these groups are calculated annually using best estimates of demographic and economic assumptions affecting these pension obligations. Changes in actual experience can result in significantly higher or lower estimates of these liabilities.

Contractual commitments

The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditure.

Contractual commitments pertain to fixed asset acquisitions, other purchases, operating or capital leases, transfer payment agreements, funding of international organizations and benefit plans for veterans. As at March 31, 1994 contractual commitments amounted to approximately \$25 billion (\$26 billion in 1993). Estimated annual payments related to these commitments for each of the next five years amount to approximately \$4 billion.

Insurance programs

Three agent enterprise Crown corporations – Canada Deposit Insurance Corporation (CDIC), Canada Mortgage and Housing Corporation (CMHC), and Export Development Corporation (EDC) – operate insurance programs as agents of the government. These programs are intended to be self-sustaining, but in the event the corporations do not have sufficient funds to meet their obligations, the government provides the required financing. Insurance in force as at March 31, 1994 amounted to approximately \$402 billion (\$384 billion in 1993). In the government's opinion, no allowance needs to be established in the financial statements for these insurance programs.

Contingent liabilities

The contingent liabilities of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. These contingencies result from legislation; the exercise of guarantees; claims, and pending and threatened litigation related to native land claims and treaty rights; breach of contract; damages to persons and property, callable share capital and lines of credit in international organizations and like items. Most contingent liabilities are recorded in the accounts of Canada when they become actual liabilities; the exceptions being for loan guarantees and borrowings of agent Crown corporations which are recorded when it becomes evident that a future payment is likely and the amount can be reasonably determined. Contingent liabilities as at March 31, 1994 amounted to approximately \$55 billion (\$49 billion in 1993), of which \$4.9 billion (\$4.6 billion in 1993) relate to loan guarantees and borrowings of agent Crown corporations which are reflected as liabilities in the financial statements.

Other sources of information

The Public Accounts of Canada

The Public Accounts of Canada, as required under Section 64(1) of the Financial Administration Act, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the government's audited financial statements and supporting schedules and information.
- Volume II contains details of financial operations by Ministry (Part I) and additional information and analyses (Part II).

The Budget

The Budget that is introduced, usually in February, presents the government's overall fiscal plan, incorporating revenue projections and spending plans which combine to determine the resulting budgetary deficit. The Budget also introduces proposals for changes in taxation.

The Estimates

The Estimates are the detailed annual expenditure plans submitted to Parliament each spring. The estimates are presented in three parts:

- Part I presents an overview of the government expenditure plan.
- Part II outlines spending according to departments, agencies and programs.
- Part III provides additional detail on each department and its programs.

Basic Facts on Federal Spending/ Federal Spending – Background

These annual booklets present basic information on government spending in recent years. They describe the overall structure of spending, and the spending control measures undertaken by the government.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the government together with the reasons underlying major variances.

SUPPLEMENTARY FINANCIAL INFORMATION

Table 11

Government of Canada
Public Accounts presentation
Summary statement of transactions

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(In millions of dollars)									
Budgetary transactions										
Revenue	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984
Expenditure	-109,493	-111,528	-116,673	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996
Deficit	-38,437	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012
Non-budgetary transactions										
Loans, investments and advances	636	27	1,335	1,127	897	995	291	-233	188	430
Specified purpose accounts	5,100	5,186	5,328	6,766	4,886	6,418	6,217	5,483	5,653	6,242
Other transactions	2,877	-1,128	1,161	1,052	566	987	954	-2,693	683	5,490
Net source	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162
Financial requirements (excluding foreign exchange transactions)	-29,824	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850
Foreign exchange transactions	2,423	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131
Total financial requirements⁽¹⁾	-27,401	-24,884	-29,308	-25,998	-28,154	-21,227	-29,433	-30,859	-26,784	-26,719
Unmatured debt transactions	26,847	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975
Change in cash⁽²⁾	-554	-1,114	-126	-3,085	300	-321	1,057	-1,795	2,107	-744
Cash balance at end of year	5,858	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137

(1) Cash requirements (-).

(2) Cash decrease (-).

Table 12

**Government of Canada
Public Accounts presentation
Detailed statement of revenue transactions**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
BUDGETARY TRANSACTIONS										
Revenue										
Tax revenue -										
Income tax:										
Personal	29,254	33,008	37,878	45,125	46,026	51,895	57,601	61,222	58,283	51,051
Corporation	9,379	9,210	9,885	10,878	11,730	13,021	11,726	9,359	7,206	9,819
Unemployment insurance										
premiums	7,553	8,719	9,558	10,425	11,268	10,738	12,707	15,394	17,535	18,233
Non-resident	1,021	1,053	1,355	1,162	1,578	1,361	1,372	1,261	1,191	1,272
	47,207	51,990	58,676	67,590	70,602	77,015	83,406	87,236	84,215	80,375
Excise taxes and duties:										
Goods and Services Tax							2,574	15,168	14,868	15,696
Sales tax	7,592	9,345	11,972	12,927	15,645	17,672	12,635	-1,969	-139	-75
Customs import duties	3,794	3,971	4,187	4,385	4,521	4,587	4,001	3,999	3,811	3,652
Energy taxes	4,479	3,348	1,965	2,603	2,646	2,471	3,192	3,441	3,437	3,656
Other	2,312	2,827	2,925	3,026	2,959	3,425	3,711	4,557	4,103	3,706
	18,177	19,491	21,049	22,941	25,771	28,155	26,113	25,196	26,080	26,635
Other tax revenue	107	126	144	207	265	226	279	273	271	322
Total tax revenue	65,491	71,607	79,869	90,738	96,638	105,396	109,798	112,705	110,566	107,332
Non-tax revenue -										
Return on investments:										
Bank of Canada										
Canada Mortgage and	1,858	1,856	1,971	1,871	1,938	2,239	2,809	1,844	1,806	1,452
Housing Corporation	913	892	866	853	845	822	772	753	800	719
Farm Credit Corporation	463	386	354	326	301	239	230	215	226	211
Exchange Fund Account	224	(505)	366	752	1,658	1,661	2,258	2,900	3,209	2,916
Interest on bank deposits	243	278	219	279	256	278	285	192	169	128
Other return on investments	597	754	479	656	549	611	453	617	628	716
	4,298	3,661	4,255	4,737	5,547	5,850	6,807	6,521	6,838	6,142
Other non-tax revenue	1,267	1,665	1,807	2,137	1,882	2,461	2,748	2,806	2,976	2,510
Total non-tax revenue	5,565	5,326	6,062	6,874	7,429	8,311	9,555	9,327	9,814	8,652
Total net revenue	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984

Table 13

**Government of Canada
Public Accounts presentation
Detailed statement of expenditure transactions**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
BUDGETARY TRANSACTIONS										
Expenditure										
Transfer payments –										
Old age security benefits,										
guaranteed income supplements										
and spouses' allowances										
Unemployment insurance benefits	11,418	12,525	13,445	14,349	15,202	16,154	17,131	18,393	19,106	19,903
Family allowances	10,052	10,036	10,444	10,487	10,972	11,694	14,665	18,126	19,065	17,626
Fiscal arrangements	2,418	2,501	2,534	2,564	2,606	2,653	2,736	2,821	2,194	7
Insurance and medical care services	5,985	5,941	6,302	7,007	8,127	8,653	8,280	8,854	7,591	9,045
Canada Assistance Plan	6,330	6,400	6,607	6,558	6,678	6,663	6,033	6,689	8,307	7,232
Education support	3,745	3,916	4,051	4,246	4,556	5,006	5,788	6,099	6,886	7,236
Other transfer payments	2,265	2,277	2,232	2,242	2,227	2,166	1,862	2,142	2,887	2,378
	16,451	15,387	15,291	17,436	17,535	17,139	16,607	18,829	19,624	19,941
	58,664	58,983	60,906	64,889	67,903	70,128	73,102	81,953	85,460	83,368
Crown corporations expenditures										
Operating and capital expenditures –	6,159	4,479	4,936	5,872	5,572	5,237	5,713	5,252	6,219	5,298
National Defence	8,636	8,937	9,788	10,554	10,761	11,217	11,518	10,901	10,939	11,310
All other departments and agencies	13,641	13,707	14,375	15,138	15,452	17,266	18,432	17,109	19,958	20,038
	22,277	22,644	24,163	25,692	26,213	28,483	29,950	28,010	30,897	31,348
<i>Total program spending</i>	87,100	86,106	90,005	96,453	99,688	103,848	108,765	115,215	122,576	120,014
Public debt charges	22,393	25,422	26,668	28,953	33,152	38,789	42,588	41,174	38,825	37,982
Total net expenditure	109,493	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996

Table 14

**Government of Canada
Public Accounts presentation
Detailed statement of non-budgetary transactions**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
NON-BUDGETARY TRANSACTIONS										
Loans, investments and advances –										
Enterprise Crown corporations –										
Canada Deposit Insurance Corporation	-40	-895	-268	-131	-361	320	150	-560	-1,300	-66
Canada Mortgage and Housing Corporation	364	195	254	234	273	201	194	65	238	105
Canadian National Railway Company	2	9	352	29	12	15	13	15	16	17
Export Development Corporation	39	64	49	55	25	-75	-16	0	0	-25
Farm Credit Corporation	172	214	591	-179	230	104	-82	-159	71	-68
Federal Business Development Bank	157	119	93	51				-10	0	0
Other	23	177	-241	1,391	555	-2	-9	-73	-412	386
Allowance for valuation	717	-117	830	1,450	734	560	250	-722	-1,387	349
<i>Total enterprise Crown corporations</i>	27	-114	49	-782	609	-755	-39	151	1,289	435
Other loans, investments and advances –										
Provincial and territorial governments	744	-231	879	668	1,343	-195	211	-571	-98	784
National governments including developing countries	67	110	89	37	28	-140	86	118	-672	-176
International organizations (subscriptions less notes)	-172	-142	124	81	132	696	19	-59	152	-52
Joint and mixed enterprises	-378	-220	46	15	-24	-70	-37	-105	-197	-236
Miscellaneous	-93	-61	237	319	36	362	0	0	88	0
	-131	171	60	-93	-418	142	-88	-86	495	-150
	-707	-142	556	359	-246	990	-20	-132	-134	-614
Allowance for valuation	599	400	-100	100	-200	200	100	470	420	260
<i>Total other loans, investments and advances</i>	-108	258	456	459	-446	1,190	80	338	286	-354
Total loans, investments and advances after allowance for valuation	636	27	1,335	1,127	897	995	291	-233	188	430
Specified purpose accounts										
Liability accounts –										
Canada Pension Plan (net)	195	271	205	306	256	422	497	-278	-342	-111
Pension liability (net)	4,303	4,682	4,998	5,425	5,825	6,385	6,511	5,742	6,030	6,186
Government Annuities Account	-29	-35	-36	-37	-39	-41	-43	-43	-43	-42
Deposit and trust accounts	254	423	19	-47	-626	-65	-42	-11	40	3
Provincial tax collection agreements account	309	-227	57	1,050	-731	-368	-813	-241	-344	0
Other	68	72	85	69	101	85	107	314	312	206
Total specified purpose accounts	5,100	5,186	5,328	6,766	4,886	6,418	6,217	5,483	5,653	6,242

Table 14 (cont'd)
Government of Canada
Public Accounts presentation
Detailed statement of non-budgetary transactions

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
Other transactions										
Accounts receivable	-69	-74	-121	-127	-319	-264	-744	-1,043	240	27
Cash in transit	-6	189	225	-854	235	52	-161	-706	-29	-382
Other liabilities	2,952	-1,243	1,057	2,033	650	1,199	1,859	-944	472	5,845
Total other transactions	2,877	-1,128	1,161	1,052	566	987	954	-2,693	683	5,490
Net non-budgetary transactions after allowance for valuation	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162
Summary -										
Net non-budgetary transactions before allowance for valuation	7,987	3,799	7,875	9,627	5,940	8,955	7,401	1,936	4,815	11,467
Allowance for valuation	626	286	-51	-682	409	-555	61	621	1,709	695
Net non-budgetary transactions after allowance for valuation	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162

Source/requirement (-)

Table 15

**Government of Canada
Public Accounts presentation
Detailed statement of foreign exchange, unmatured debt and cash transactions**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
FOREIGN EXCHANGE TRANSACTIONS										
International reserves held in the Exchange Fund Account	-588	752	-4,753	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277
International Monetary Fund – Subscriptions	10	-685	-266	-102	504	60	-91	-232	-2,802	-844
Less: International Monetary Fund – Notes payable	-578	67	-5,019	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121
Special Drawing Rights allocations	-32	-637	-359	-208	495	126	5	-275	-2,181	-841
Unmatured debt transactions payable in foreign currencies	2	-182	-70	-27	134	15	-23	-62	-100	-152
	-30	-819	-429	-235	629	141	-18	-337	-2,281	-993
	2,971	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259
Total foreign exchange	2,423	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131
UNMATURED DEBT TRANSACTIONS										
Marketable bonds	12,379	15,584	13,337	9,928	10,899	10,689	15,294	14,395	19,823	27,142
Canada Savings Bonds	3,756	2,285	64	9,014	-5,567	-6,827	-6,485	1,154	-1,229	-3,038
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund	16	240	1,351	696	513	67	420	9	4	-8
Treasury bills	10,600	9,650	15,000	4,100	21,650	15,850	20,600	13,150	9,750	3,950
Notes and loans	2,987	861	-2,823	-1,171	-2,015	-1,734	-163	-7	-7	-7
Canada bills			1,045		86	315	-438	-1,008	2,552	3,097
	29,738	28,620	27,974	22,567	25,566	18,360	29,228	27,693	30,893	31,143
Less: Government's holdings of unmatured debt – Marketable bonds	-122	137	-175	141	10	107	-58	-132	54	-9
Canada Savings Bonds held on account of employees	42	-27	36	11	10	-36	19	-57	8	-11
Canada Savings Bonds held on account of the Payroll Savings Plan			731	217	54	28	-74	-100	-25	-71
Unmatured debt transactions payable in foreign currencies	2,971	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259
	2,891	4,850	-1,208	-346	-2,888	-2,546	-1,262	-1,371	2,002	5,168
Total unmatured debt transactions payable in Canadian currency	26,847	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975
CASH BALANCE AT END OF YEAR										
In Canadian currency	5,779	4,566	4,479	1,381	1,708	1,369	2,459	677	2,774	2,032
In foreign currencies	79	178	139	152	125	143	110	97	107	105
Total cash balance	5,858	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137

Source/requirement (-)

Table 16

**Government of Canada
Public Accounts presentation
Comparative statement of financial assets and liabilities**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
FINANCIAL ASSETS										
Loans, investments and advances										
Enterprise Crown corporations	21,135	21,252	20,422	18,972	18,238	17,678	17,428	18,150	19,537	19,188
Less: allowance for valuation	5,657	5,543	5,592	4,810	5,419	4,664	4,625	4,776	6,065	6,500
	15,478	15,709	14,830	14,162	12,819	13,014	12,803	13,374	13,472	12,708
Other	15,024	15,166	14,610	14,251	14,497	13,507	13,527	13,659	13,793 ⁽¹⁾	14,407 ⁽¹⁾
Less: allowance for valuation	7,850	8,250	8,150	8,250	8,050	8,250	8,350	8,820	9,240	9,500
	7,174	6,916	6,460	6,001	6,447	5,257	5,177	4,839	4,553	4,907
Total net loans, investments and advances	22,652	22,625	21,290	20,163	19,266	18,271	17,980	18,213	18,025	17,595
Foreign exchange accounts										
International reserves held in the										
Exchange Fund Account	4,211	3,459	8,212	14,779	17,422	15,393	19,066	17,148	10,879	13,156
International Monetary Fund –										
Subscriptions	3,985	4,670	4,936	5,038	4,534	4,474	4,565	4,797	7,599	8,443
Less: International Monetary Fund –										
Notes payable and Special Drawing	4,332	5,151	5,580	5,815	5,186	5,045	5,063	5,400	7,681	8,674
Rights allocations	3,864	2,978	7,568	14,002	16,770	14,822	18,568	16,545	10,797	12,925
Total net foreign exchange accounts	1,516	1,590	1,711	1,838	2,157	2,421	3,165	4,208	3,968	3,941
Accounts receivable	1,882	1,693	1,468	2,322	2,087	2,035	2,196	2,902	2,931	3,313
Cash in transit	5,858	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137
Cash	35,772	33,630	36,655	39,858	42,113	39,061	44,478	42,642	38,602	39,911
Total financial assets	207,986	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210
Accumulated deficit	243,758	276,211	309,978	340,975	372,003	397,881	435,298	467,819	504,800	548,121
Total										

Table 16 (cont'd)

**Government of Canada
Public Accounts presentation
Comparative statement of financial assets and liabilities**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
LIABILITIES										
Specified purpose accounts										
Canada Pension Plan (net)	1,502	1,773	1,978	2,284	2,540	2,962	3,459	3,181	2,839	2,728
Pension liability (net)	42,312	46,994	51,992	57,417	63,241	69,626	76,139	81,881	87,911	94,097
Government Annuities Account	1,095	1,060	1,024	987	948	907	864	821	778	736
Deposit and trust accounts	1,353	1,776	1,795	1,747	1,221	1,156	1,114	1,103	1,143	1,146
Provincial Tax Collection Agreements										
Account	1,617	1,390	1,447	2,497	1,766	1,398	585	344		
Other	477	549	634	704	806	891	996	1,310	1,622 ⁽¹⁾	1,828
Total specified purpose accounts	48,356	53,542	58,870	65,636	70,522	76,940	83,157	88,640	94,293	100,535
Other liabilities	22,683	21,440	22,497	24,530	25,180	26,379	28,238	27,294	27,766	33,611
Unmatured debt										
Payable in Canadian currency	163,662	187,432	216,614	239,527	267,981	288,887	319,377	348,441	377,332	403,307
Payable in foreign currencies	9,057	13,797	11,997	11,282	8,320	5,675	4,526	3,444	5,409	10,668
Total unmaturred debt	172,719	201,229	228,611	250,809	276,301	294,562	323,903	351,885	382,741	413,975
Total	243,758	276,211	309,978	340,975	372,003	397,881	435,298	467,819	504,800	548,121

⁽¹⁾ In 1993 and 1994, the Provincial Tax Collection Agreements Account was in a debit position and was reported under Loans, investments and advances – Other.

Table 17

**Government of Canada
Public Accounts presentation
Statement of retroactive adjustments to the accumulated deficit**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Accumulated deficit – As previously reported	206,602	241,230	272,013	300,264	329,245	358,261	390,349	424,812	465,291	
Restatement following changes in accounting policies concerning:										
Provision for loans to be recovered from appropriations	1,857	1,843	1,792	1,410	1,219	1,164	1,025	976	1,015	
Unamortized bond premiums, discounts and commissions	-473	-492	-482	-557	-574	-605	-554	-611	-1,180	
Accrual of certain income tax refunds									1,072	
Revised accumulated deficit – end of year	207,986	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198	

NATIONAL ACCOUNTS PRESENTATION

There are three basic measures of the federal fiscal position in Canada – the public accounts deficit, financial requirements, and the national accounts deficit. This section explains the differences between the three measures and presents a reconciliation between the public accounts and the national accounts.

Differences in the measures arise because the accounting frameworks are designed for different purposes. The purpose of the **public accounts** is to record revenues, expenditures, assets and liabilities in order to permit parliamentary control of public funds into and out of the Consolidated Revenue Fund. The difference between annual budgetary revenues and expenditures is the budgetary deficit or surplus for the year, and the accumulation of the annual deficits (and surpluses) since Confederation is the net public debt.

Financial requirements (excluding foreign exchange transactions) correspond to the public accounts deficit plus non-budgetary transactions such as loans and advances, specified purpose accounts and certain other financial transactions. The main difference between the public accounts and financial requirements stems from the non-budgetary transactions of the government employees' superannuation accounts. Financial requirements measure the net financial impact on all budgetary and non-budgetary operations. This measure is the closest counterpart in Canada to the deficit measures most commonly used in both the United States and United Kingdom. It approximates the net direct impact of the federal government's borrowing activities on the capital markets.

By comparison, the primary objective of the **national accounts** is to measure economic production and national income. Thus the government sector is treated on the same basis as other sectors of the economy, such as the personal, business and foreign sectors. The objective of measuring economic activity means that certain transactions are recorded on an accrual basis in order to measure when revenues and expenditures are incurred. International comparisons of government budget balances by organizations, such as the United Nations, the Organization for Economic Co-operation and Development, and the International Monetary Fund, are typically based on the national accounts framework. The national accounts also provide a consistent framework for aggregation and comparisons of the fiscal positions of the various levels of government in Canada.

While the three measures are derived with different purposes in mind, each provides important complementary perspectives on the government's fiscal position. Although the levels are different, the trends are broadly similar. Financial requirements and the national accounts deficit are considerably lower than the public accounts budgetary deficit, reflecting the inclusion of the net surplus of the federal government's employees' pension funds.

Table 18

**Government of Canada
National Accounts presentation
Detailed statement of revenue and expenditure transactions**

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
NATIONAL ACCOUNTS TRANSACTIONS⁽¹⁾										
Revenue										
Direct taxes:										
Persons	37,893	44,218	50,110	56,688	58,872	65,350	74,742	79,670	79,964	76,317
Corporations	11,354	11,418	10,357	11,968	12,503	12,409	11,215	9,685	9,777	10,631
Non-residents	1,170	1,192	1,448	1,418	1,808	1,421	1,603	1,665	1,491	1,662
Total direct taxes	50,417	56,828	61,915	70,074	73,183	79,180	87,560	91,020	91,232	88,610
Indirect taxes	18,719	18,708	21,812	24,254	26,362	29,348	26,253	31,018	31,081	31,685
Other current transfers from persons	18	24	23	25	28	32	36	44	68	68
Investment income	7,256	7,933	8,067	9,023	10,406	11,459	12,555	12,843	12,632	12,444
Capital consumption allowances	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Total revenue	77,586	84,748	93,120	104,730	111,431	121,557	127,984	136,458	136,581	134,411
Expenditure										
Current goods and services:										
Defence	8,447	9,203	9,505	10,226	10,618	11,069	11,736	11,690	11,685	11,795
Non-defence	13,314	14,115	14,600	14,803	15,612	17,460	18,726	20,264	20,775	21,236
Total current goods and services	21,761	23,318	24,105	25,029	26,230	28,529	30,462	31,954	32,460	33,031
Transfer payments to persons	30,440	31,809	33,570	34,799	36,419	38,916	43,907	51,362	54,125	56,918
Subsidies	7,804	5,206	5,405	6,347	5,583	4,907	5,373	6,984	5,186	4,778
Capital assistance	3,452	2,716	2,414	1,792	1,561	1,572	1,565	1,277	1,139	870
Current transfers to non-residents	1,541	1,537	1,904	2,262	2,471	2,954	2,332	2,723	2,719	2,251
Interest on the public debt	22,116	25,102	26,385	28,680	32,885	38,570	42,320	40,948	38,614	37,677
Transfers to provinces	20,120	20,269	20,959	22,781	23,953	25,227	25,970	26,999	30,299	28,038
Transfers to local governments	503	488	523	653	702	884	924	904	964	1,003
Gross capital formation	2,433	2,175	1,944	1,897	2,219	2,251	2,250	2,374	2,486	2,673
Total expenditure	110,170	112,620	117,209	124,240	132,023	143,810	155,103	165,525	167,992	167,239
Deficit	-32,584	-27,872	-24,089	-19,510	-20,592	-22,253	-27,119	-29,067	-31,411	-32,828
Reference										
Deficit on a Public Accounts basis	-38,437	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012
Financial requirements excluding exchange	-29,824	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850

⁽¹⁾ These "National Accounts transactions" are consistent with those released by Statistics Canada on June 26, 1994.

RECONCILIATION OF THE PUBLIC AND NATIONAL ACCOUNTS DEFICITS

Table 19 sets out the federal government's revenues, expenditures and deficit on a national accounts basis. The national accounts deficit is estimated to be lower than the public accounts deficit by \$9.2 billion in 1993-94. Financial requirements (excluding foreign exchange requirements) are \$3.0 billion lower than the national accounts deficit in 1993-94.

Table 19 shows the key reconciliation factors between the deficit on a public accounts basis and the national accounts. The difference is largely accounted for by the superannuation accounts, which are included in the national accounts deficit and financial requirements but excluded from the public accounts deficit. Other major conceptual differences relate to cash versus accrual accounting.

Government superannuation accounts

Most of the difference between the public accounts deficit and the national accounts deficit is explained by the different treatment of the government superannuation accounts. Government employee pension benefits are financed through employer and employee contributions and interest generated on surplus funds. In the national accounts, employer and employee contributions to the superannuation accounts and the accrued interest on surplus funds are included as part of government revenues. Only benefit payments, accrued interest, and the government's contribution as an employer are part of government expenditures.

In the public accounts, budgetary revenues are unaffected by superannuation transactions, while budgetary expenditures include only the

government's contribution as an employer and interest paid on surplus funds (included in interest on the public debt). The adjustment for the superannuation accounts represents the excess of government pension receipts over employee pension payments.

Excess of accruals over collections

Tax revenues in the public accounts are recorded on a collections or cash basis, while non-tax revenues are recorded on an accrual basis. The national accounts primarily uses the accrual method of accounting with the result that revenues are recorded when funds are earned. Expenditures on both the public and national accounts basis are largely recorded on an accrual basis.

Other factors

A number of other factors arise as a result of conceptual differences between the public accounts and the national accounts. Among these are public accounts transactions excluded from the national accounts, such as the purchase and sale of capital assets, allowances for valuation and write-offs. It also includes adjustments to reflect differences in the treatment of goods purchased and services rendered prior to March 31, but for which no payment has yet been made. In the public accounts, these payments are recorded in the end-of-year period (supplementary period), while in the national accounts, such payments are allocated to either the first or second quarters of the calendar year, and therefore are spread out over two fiscal years.

Table 19

Government of Canada Public Accounts and National Accounts reconciliation

	Year ended March 31									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(in millions of dollars)									
Budgetary revenue – Public Accounts										
Reconciling items –										
Government pension receipts	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984
Corporate income tax – Excess of accruals over collections	5,528	6,070	6,548	7,176	7,756	8,523	9,440	10,926	10,961	11,517
Capital consumption allowances	-458	-138	-58	1,428	773	-612	-511	326	2,571	812
Petroleum compensation charge ⁽¹⁾	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Non-tax revenue ⁽²⁾	2,291	690					-1		3	
Deficits of Government business enterprises	-835	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,275	-1,286	-1,299
Goods and Services Tax	-1,104	-933	-938	-937	-907	-991	-849	-806	-773	-641
Miscellaneous ⁽³⁾	-68	1,860	1,302	-643	-520	708	1,164	2,652	3,610	3,365
Total revenue – National Accounts	77,586	84,748	93,120	104,730	111,431	121,557	127,984	136,458	136,581	134,411
Budgetary expenditure – Public Accounts										
Reconciling items –										
Government pension payments	109,493	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996
Net expenditure of funds and agencies ⁽⁴⁾	1,139	1,285	1,437	1,600	1,801	1,978	2,073	2,489	3,782	3,970
Capital consumption allowances	1,457	1,442	1,568	1,555	1,336	1,661	1,165	1,361	1,373	888
Petroleum compensation program ⁽⁵⁾	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Non-tax revenue ⁽⁶⁾	2,238	1,133		60	1,133					
Deficits of Government business enterprises	-835	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,275	-1,286	-1,299
Budgetary transfers to funds and agencies	-1,104	-933	-938	-937	-907	-991	-849	-806	-773	-641
Goods and Services Tax – Transfer and subsidies	-1,526	-1,273	-1,213	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-970
Miscellaneous ⁽⁷⁾	-1,868	828	-659	-2,202	-1,974	-433	754	3,158	2,574	2,698
Total expenditure – National Accounts	110,170	112,620	117,209	124,240	132,023	143,810	155,103	165,525	167,992	167,239

(1) In the Public Accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditure. Gross revenues and payments are recorded in the National Accounts.

(2) Various items of non-tax revenue, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

(3) Major items under miscellaneous include adjustments for proceeds from the sale of used capital assets, air transportation tax, imputed items, the treatment of revenue in the supplementary accounting period after March 31, and the treatment of the acceleration of source deductions and sales and excise taxes by large firms.

(4) In the National Accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

(5) This item represents the difference between the gross payments recorded on the National Accounts basis and net payments recorded on the Public Accounts basis.

(6) Various non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

(7) Major items under miscellaneous include adjustments for reserves and write-offs, provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, the treatment of expenditure and for all items in the reconciliation in the supplementary accounting period after March 31.

Table 19
Gouvernement du Canada
Rapprochement des comptes publics et des comptes nationaux

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
Recettes budgétaires – Comptes publics										
Éléments de rapprochement –										
Rentées des fonds de pension du gouvernement	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984
Impôts sur le revenu des sociétés – excédent des sommes courues sur les sommes perçues	5,528	6,070	6,548	7,176	7,756	8,523	9,440	10,926	10,961	11,517
Provisions pour consommation de capital	-458	-138	-58	1,428	773	-612	-511	326	2,571	812
Redevances d'indemnité sur le pétrole ⁽¹⁾	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Recettes non fiscales ⁽²⁾	2,291	690	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,286	-1,299
Déficits des entreprises commerciales du gouvernement	-835	-989	-938	-937	-907	-991	-849	-806	-773	-641
Taxe sur les produits et services	-1,104	-933	-938	-937	-907	-991	1,164	2,652	3,610	3,365
Divers ⁽³⁾	-68	1,860	1,302	-643	-520	708	-920	1,070	-453	2,531
Total des recettes – Comptes nationaux	77,586	84,748	93,120	104,730	111,431	121,557	127,984	136,458	136,581	134,417
Dépenses budgétaires – Comptes publics										
Éléments de rapprochement –										
Dépoussés des fonds de pension du gouvernement	109,493	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996
Dépenses nettes des fonds et organismes ⁽⁴⁾	1,139	1,285	1,437	1,600	1,801	1,978	2,073	2,489	3,782	3,970
Provisions pour consommation de capital	1,457	1,442	1,568	1,555	1,336	1,661	1,165	1,361	1,373	888
Programme d'indemnisation pétrolière ⁽⁵⁾	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Recettes non fiscales ⁽⁶⁾	2,238	1,133	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,286	-1,299
Déficits des entreprises commerciales du gouvernement	-835	-989	-938	-937	-907	-991	-849	-806	-773	-641
Transferts budgétaires aux fonds et organismes	-1,104	-933	-938	-937	-907	-991	-849	-806	-773	-641
Taxe sur les produits et services – Transfert et subventions	-1,526	-1,273	-1,213	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-970
Divers ⁽⁷⁾	-1,868	828	-659	-2,202	-1,974	-433	1,366	3,899	422	2,993
Total des dépenses – Comptes nationaux	110,170	112,620	117,209	124,240	132,023	143,810	155,103	165,525	167,992	167,239

- (1) Dans les comptes publics, les redevances d'indemnité sur le pétrole sont déduites des paiements d'indemnisation pétrolière et sont comprises dans les dépenses budgétaires. Les recettes brutes et les paiements bruts sont inscrits dans les Comptes nationaux.
- (2) Divers éléments de recettes non fiscales, tels les frais de services et les produits de la vente de biens courants, lesquels sont inscrits comme recettes d'après les comptes publics, sont déduits des dépenses d'après les Comptes nationaux.
- (3) Les éléments majeurs sous divers comprenant les redressements pour les produits de la vente d'immobilisations utilisées, la taxe sur le transport aérien, les éléments imputés, le traitement des recettes dans la période de comptabilisation complémentaire au 31 mars, et le traitement de l'accélération des déductions à la source et des taxes et droits d'accise provenant des grandes entreprises.
- (4) Dans les Comptes nationaux, les crédits budgétaires à divers fonds et organismes sont remplacés par les dépenses courantes nettes des fonds et organismes.
- (5) Cet élément représente la différence entre les paiements bruts inscrits d'après les Comptes nationaux et les paiements net inscrits d'après les comptes publics.
- (6) Diverses recettes non fiscales telles les frais de services et les produits de la vente des biens courants, lesquelles sont inscrites comme recettes d'après les comptes publics, sont déduites des dépenses d'après les Comptes nationaux.
- (7) Les éléments majeurs sous divers comprennent les redressements pour les réserves et radiations, une provision pour évaluation de l'actif et du passif, l'achat d'immobilisations utilisées, les éléments imputés, le traitement des dépenses et de tous les éléments de rapprochement dans la période de comptabilisation complémentaire au 31 mars.

RAPPROCHEMENT DES DÉFICITS SELON LES COMPTES PUBLICS ET NATIONAUX

Le tableau 19 donne les recettes, les dépenses et le déficit du gouvernement fédéral selon les comptes nationaux. On estime que le déficit des comptes nationaux sera inférieur à celui des comptes publics de \$9,2 milliards en 1993-94. Les besoins financiers (sans compter les besoins relatifs aux opérations de change) sont inférieurs au déficit des comptes nationaux de \$3,0 milliards en 1993-94.

Le tableau 19 renferme les principaux facteurs de rapprochement du déficit selon les comptes publics et de celui selon les comptes nationaux. La différence tient principalement aux comptes de pension de retraite, qui sont compris dans le déficit selon les comptes nationaux et les besoins financiers, mais non dans le déficit selon les comptes publics. D'autres grandes différences conceptuelles ont trait à la comptabilité de trésorerie par opposition à la comptabilité d'exercice.

Les comptes de pension de retraite du gouvernement

Le traitement différent réservé aux comptes de pension de retraite du gouvernement explique en grande part la différence entre le déficit selon les comptes publics et celui selon les comptes nationaux. Les prestations de retraite des fonctionnaires sont financées par des contributions de l'employeur et de l'employé et des intérêts courus sur les fonds excédentaires. Dans les comptes nationaux, les cotisations de l'employeur et de l'employé aux comptes de pension de retraite et l'intérêt couru sur les fonds excédentaires sont compris dans les recettes gouvernementales. Seuls les prestations versées, l'intérêt couru et la contribution de l'État en sa qualité d'employeur constituent des dépenses publiques.

Dans les comptes publics, les recettes budgétaires ne sont nullement touchées par les opérations relatives aux pensions de retraite, mais les dépenses budgétaires ne comprennent que la contribution de l'État à titre d'employeur et

Autres facteurs

Un certain nombre d'autres facteurs découlent des différences conceptuelles entre les comptes publics et les comptes nationaux. Ainsi, on constate que certaines opérations des comptes publics sont exclues des comptes nationaux, notamment l'achat et la vente d'immobilisations, les provisions pour évaluation et les radiations. On retrouve également les redressements qui traduisent des différences entre le traitement des biens achetés et des services rendus avant le 31 mars, mais pour lesquels aucun paiement n'a encore été fait. Dans les comptes publics, ces paiements sont inscrits en fin d'exercice (période de comptabilisation complémentaire), tandis que dans les comptes nationaux, ils sont attribués au premier ou au deuxième trimestre de l'année civile et, par conséquent, répartis sur deux exercices financiers.

Excédent des sommes courues sur les sommes perçues

L'intérêt versé sur les fonds excédentaires (compris dans l'intérêt sur la dette publique). Le redressement des comptes de pension de retraite correspond à l'excédent des cotisations reçues sur les prestations de retraite versées aux employés.

Les recettes fiscales sont consignées dans les comptes publics à mesure qu'elles sont perçues – selon la comptabilité de trésorerie – tandis que les recettes non fiscales sont inscrites selon la comptabilité d'exercice. Les comptes nationaux utilisent principalement la comptabilité d'exercice, ce qui signifie que les recettes sont comptabilisées lorsque les fonds sont gagnés. Les dépenses sont comptabilisées pour la plupart selon la comptabilité d'exercice dans les comptes nationaux comme dans les comptes publics.

Tableau 18
Gouvernement du Canada
Présentation des comptes nationaux
État détaillé des opérations des recettes et des dépenses

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
Opérations des Comptes nationaux ⁽¹⁾										
Recettes										
Taxes directes :										
Particuliers	37,893	44,218	50,110	56,688	58,872	65,350	74,742	79,670	79,964	76,317
Sociétés	11,354	11,418	10,357	11,968	12,503	12,409	11,215	9,685	9,777	10,631
Non-résidents	1,170	1,192	1,448	1,418	1,808	1,421	1,603	1,665	1,491	1,662
Total des taxes directes	50,417	56,828	61,915	70,074	73,183	79,180	87,560	91,020	91,232	88,610
Taxes indirectes	18,719	18,708	21,812	24,254	26,362	29,348	26,253	31,018	31,081	31,685
Autres transferts courants de particuliers	18	24	23	25	28	32	36	44	68	68
Revenus de placement	7,256	7,933	8,067	9,023	10,406	11,459	12,555	12,843	12,632	12,444
Provisions pour consommation de capital	1,176	1,255	1,303	1,354	1,452	1,538	1,580	1,533	1,568	1,604
Total des recettes	77,586	84,748	93,120	104,730	111,431	121,557	127,984	136,458	136,581	134,411
Dépenses										
Biens et services courants :										
Défense	8,447	9,203	9,505	10,226	10,618	11,069	11,736	11,690	11,685	11,795
Non militaires	13,314	14,115	14,600	14,803	15,612	17,460	18,726	20,264	20,775	21,236
Total des biens et services courants	21,761	23,318	24,105	25,029	26,230	28,529	30,462	31,954	32,460	33,031
Paielements de transferts aux particuliers	30,440	31,809	33,570	34,799	36,419	38,916	43,907	51,362	54,125	56,918
Subventions	7,804	5,206	5,405	6,347	5,583	4,907	5,373	6,984	5,186	4,778
Assistance en capital	3,452	2,716	2,414	1,792	1,561	1,572	1,565	1,277	1,139	870
Transferts aux non-résidents	1,541	1,537	1,904	2,262	2,471	2,954	2,332	2,723	2,719	2,251
Intérêt de la dette publique	22,116	25,102	26,385	28,680	32,885	38,570	42,320	40,948	38,614	37,677
Transferts aux provinces	20,120	20,269	20,959	22,781	23,953	25,227	25,970	26,999	30,299	28,038
Transferts aux administrations locales	503	488	523	653	702	884	924	904	964	1,003
Formation brute de capital	2,433	2,175	1,944	1,897	2,219	2,251	2,250	2,374	2,486	2,673
Total des dépenses	110,170	112,620	117,209	124,240	132,023	143,810	155,103	165,525	167,992	167,239
Déficit	-32,584	-27,872	-24,089	-19,510	-20,592	-22,253	-27,119	-29,067	-31,411	-32,828
Référence										
Déficit selon les Comptes publics	-38,437	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012
Besoins financiers, change exclus	-29,824	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850

⁽¹⁾ Ces «Opérations des Comptes nationaux» sont conformes à celles publiées par Statistique Canada le 26 juin 1994.

PRÉSENTATION DES COMPTES NATIONAUX

Il existe trois méthodes fondamentales pour évaluer la situation financière du Canada : le déficit des comptes publics, les besoins financiers et le déficit des comptes nationaux. Cette section explique les différences entre ces trois méthodes et rapproche les comptes publics et les comptes nationaux.

Les écarts entre les mesures existent parce que les cadres comptables ont été conçus à des fins différentes. Les **comptes publics** servent à consigner les recettes, les dépenses, l'actif et le passif pour permettre au Parlement de contrôler les deniers publics qui sont versés au Trésor et qui en sont tirés. La différence entre les recettes et les dépenses budgétaires annuelles est le déficit ou l'excédent budgétaire de l'année et l'accumulation des déficits (ou des excédents) annuels depuis la Confédération constitue la dette publique nette.

Les **besoins financiers** (abstraction faite des opérations de change) correspondent au déficit des comptes publics plus les opérations non budgétaires comme les prêts et les avances, les comptes à des fins déterminées et certaines autres opérations financières. La principale différence entre les comptes publics et les besoins financiers tient aux opérations non budgétaires des comptes de pension de retraite des fonctionnaires. Les besoins financiers mesurent l'incidence financière nette sur toutes les opérations budgétaires et non budgétaires. Il s'agit là de la mesure au Canada qui ressemble le plus aux mesures du déficit couramment utilisées aux États-Unis et dans le Royaume-Uni. Elle équivaut approximativement à l'incidence directe nette des emprunts de l'administration fédérale sur les marchés de capitaux.

Par contre, les **comptes nationaux** visent principalement à mesurer la production économique et le revenu national. Ainsi, le secteur public est traité de la même façon que les autres secteurs de l'économie, comme le secteur des particuliers, celui des entreprises et le secteur étranger. Certaines opérations sont comptabilisées selon la méthode de la comptabilité d'exercice, c'est-à-dire que les transactions sont imputées lorsque les recettes et les dépenses sont constatées. Habituellement, des organismes comme les Nations Unies, l'Organisation de coopération et de développement économiques et le Fond monétaire international établissent des comparaisons internationales des soldes budgétaires des gouvernements en se fondant sur les comptes nationaux. Ces derniers constituent également un cadre uniforme d'agrégation et de comparaison des situations financières de divers paliers gouvernementaux au Canada.

Les trois méthodes, bien qu'elles visent des objectifs différents, offrent des perspectives de complémentaires de la situation financière de l'État. Les niveaux ne sont pas les mêmes, mais les tendances se ressemblent dans les grandes lignes. Les besoins financiers et le déficit des comptes nationaux sont considérablement inférieurs au déficit budgétaire des comptes publics, en raison de l'inclusion de l'excédent net des fonds de pension de retraite des fonctionnaires fédéraux.

Tableau 16 (suite)

Gouvernement du Canada
Présentation des comptes publics
État comparatif de l'actif financier et du passif

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
PASSIF										
Comptes à des fins déterminées										
Régime de pensions du Canada (net)	1,502	1,773	1,978	2,284	2,540	2,962	3,459	3,181	2,839	2,728
Dettes au titre des régimes de retraite (net)	42,312	46,994	51,992	57,417	63,241	69,626	76,139	81,881	87,911	94,097
Comptes des rentes sur l'État	1,095	1,060	1,024	987	948	907	864	821	778	736
Comptes de dépôt et de fiducie	1,353	1,776	1,795	1,747	1,221	1,156	1,114	1,103	1,143	1,146
Compte des accords de perception fiscale avec les provinces	1,617	1,390	1,447	2,497	1,766	1,398	585	344	1,622 ⁽¹⁾	1,828
Autres	477	549	634	704	806	891	996	1,310	1,622 ⁽¹⁾	1,828
Total des comptes à des fins déterminées	48,356	53,542	58,870	65,636	70,522	76,940	83,157	88,640	94,293	100,535
Autres éléments de passif	22,683	21,440	22,497	24,530	25,180	26,379	28,238	27,294	27,766	33,611
Dettes non échues										
En monnaie canadienne	163,662	187,432	216,614	239,527	267,981	288,887	319,377	348,441	377,332	403,307
En devises étrangères	9,057	13,797	11,997	11,282	8,320	5,675	4,526	3,444	5,409	10,668
Total de la dette non échue	172,719	201,229	228,611	250,809	276,301	294,562	323,903	351,885	382,741	413,975
Total	243,758	276,211	309,978	340,975	372,003	397,881	435,298	467,819	504,800	548,121

⁽¹⁾ En 1993, le compte des accords de perception fiscale avec les provinces a un solde débiteur de \$404 millions et est présenté sous Prêts, placements et avances – Autres.

Tableau 17

Gouvernement du Canada
Présentation des comptes publics
État des redressements rétroactifs au déficit cumulé

	Exercice clos le 31 mars								
	1985	1986	1987	1988	1989	1990	1991	1992	1993
	(en millions de dollars)								
Déficit cumulé – tel qu'inscrit précédemment									
Redressement résultant de modifications dans les conventions comptables concernant :									
Les garanties de prêts	206,602	241,230	272,013	300,264	329,245	358,261	390,349	424,812	465,291
Primes, escomptes et commissions non amortis	1,857	1,843	1,792	1,410	1,219	1,164	1,025	976	1,015
Charge sur certains remboursements d'impôts	-473	-492	-482	-557	-574	-605	-554	-611	-1,180
Déficit cumulé révisé – fin d'exercice	207,986	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198
									1,072

Tableau 16

Gouvernement du Canada
Présentation des comptes publics
État comparatif de l'actif financier et du passif

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
ACTIF FINANCIER										
Prêts, placements et avances										
Sociétés d'État «entreprises»	21,135	21,252	20,422	18,972	18,238	17,678	17,428	18,150	19,537	19,188
moins : provisions pour évaluation	5,657	5,543	5,592	4,810	5,419	4,664	4,625	4,776	6,065	6,500
Autres	15,478	15,709	14,830	14,162	12,819	13,014	12,803	13,374	13,472	12,708
moins : provisions pour évaluation	15,024	15,166	14,610	14,251	14,497	13,507	13,527	13,659	13,793 ⁽¹⁾	14,407 ⁽¹⁾
	7,850	8,250	8,150	8,250	8,050	8,250	8,350	8,820	9,240	9,500
	7,174	6,916	6,460	6,001	6,447	5,257	5,177	4,839	4,553	4,907
Total net des prêts, placements et avances	22,652	22,625	21,290	20,163	19,266	18,271	17,980	18,213	18,025	17,595
Comptes d'opération de change										
Réserves internationales détenues dans le Compte du fonds des changes	4,211	3,459	8,212	14,779	17,422	15,393	19,066	17,148	10,879	13,156
Fonds monétaires international – Souscriptions	3,985	4,670	4,936	5,038	4,534	4,474	4,565	4,797	7,599	8,443
moins : Fonds monétaires international – Effets à payer et allocations de Droits de tirage spéciaux	4,332	5,151	5,580	5,815	5,186	5,045	5,063	5,400	7,681	8,674
Total net des comptes d'opération de change	3,864	2,978	7,568	14,002	16,770	14,822	18,568	16,545	10,797	12,925
Débiteurs	1,516	1,590	1,711	1,838	2,157	2,421	3,165	4,208	3,968	3,941
Fonds en transit	1,882	1,693	1,468	2,322	2,087	2,035	2,196	2,902	2,931	3,313
Encaisse	5,856	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137
Total de l'actif financier	35,772	33,630	36,655	39,858	42,113	39,061	44,478	42,642	38,602	39,911
Déficit cumulé	207,986	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210
Total	243,758	276,211	309,978	340,975	372,003	397,881	435,298	467,819	504,800	548,121

Tableau 15
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations de change, de la dette non échue et de la caisse

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
OPÉRATIONS DE CHANGE										
Réserves internationales détenues dans le Compte du Fonds des changes	-588	752	-4,753	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277
Fonds monétaires international – souscriptions	10	-685	-266	-102	504	60	-91	-232	-2,802	-844
<i>Moins : Fonds monétaires international – effets à payer</i>	-578	67	-5,019	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121
Allocations de Droits de tirages spéciaux	-32	-637	-359	-208	495	126	5	-275	-2,181	-841
Opérations de la dette non échue à payer en devises étrangères	2	-182	-70	-27	134	15	-23	-62	-100	-152
	-30	-819	-429	-235	629	141	-18	-337	-2,281	-993
	2,971	4,740	-1,800	-715,	-2,962	-2,645	-1,149	-1,082	1,965	5,259
Total des opérations de change	2,423	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131
OPÉRATIONS DE LA DETTE NON ÉCHUE										
Obligations négociables	12,379	15,584	13,337	9,928	10,899	10,689	15,294	14,395	19,823	27,142
Obligations d'épargne du Canada	3,756	2,285	64	9,014	-5,567	-6,827	-6,485	1,154	-1,129	-3,038
Obligations spéciales non négociables détenues par le Fonds de placement du régime de pensions du Canada	16	240	1,351	666	513	67	420	9	4	-8
Bons du Trésor	10,600	9,650	15,000	4,100	21,650	15,850	20,600	13,150	9,750	3,950
Effets et prêts	2,987	861	-2,823	-1,171	-2,015	-1,734	-163	-7	-7	-7
Bons du Canada			1,045		86	315	-438	-1,008	2,552	3,097
	29,738	28,620	27,974	22,567	25,566	18,360	29,228	27,693	30,883	31,143
<i>Moins : Dette non échue détenue par le gouvernement – Obligations négociables</i>	-122	137	-175	141	10	107	-58	-132	54	-9
Obligations d'épargne du Canada détenues pour le compte du personnel	42	-27	36	11	10	-36	19	-57	8	-11
Obligations d'épargne du Canada détenues pour le compte du mode d'épargne sur le salaire			731	217	54	28	-74	-100	-25	-71
Opérations de la dette non échue à payer en devises étrangères	2,971	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259
	2,891	4,850	-1,208	-346	-2,888	-2,546	-1,262	-1,371	2,002	5,168
Total des opérations de la dette non échue à payer en monnaie canadienne	26,847	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975
ENCAISSE EN FIN D'EXERCICE										
En monnaie canadienne	5,779	4,566	4,479	1,381	1,708	1,369	2,459	677	2,774	2,032
En devises étrangères	79	178	139	152	125	143	110	97	107	105
Total de l'encaisse	5,858	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137
Provenance/besoin (-)										

Tableau 14 (suite)
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations non budgétaires

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
Autres opérations										
Dépôts	-69	-74	-121	-127	-319	-264	-744	-1,043	240	27
Fonds en transit	-6	189	225	-854	235	52	-161	-706	-29	-382
Autres éléments de passif	2,952	-1,243	1,057	2,033	650	1,199	1,859	-944	472	5,845
Total des autres opérations	2,877	-1,128	1,161	1,052	566	987	954	-2,693	683	5,490
Opérations non budgétaires nettes après la provision pour évaluation	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162
Sommaire -										
Opérations non budgétaires nettes avant la provision pour évaluation	7,987	3,799	7,875	9,627	5,940	8,955	7,401	1,936	4,815	11,467
Provision pour évaluation	626	286	-51	-682	409	-555	61	621	1,709	695
Opérations non budgétaires nettes après la provision pour évaluation	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162
Provenance/besoin (-)										

Tableau 14
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations non budgétaires

Exercice clos le 31 mars										
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
OPÉRATIONS NON BUDGÉTAIRES										
Prêts, placements et avances										
Sociétés d'État «entreprises» –										
Société d'assurance-dépôts du Canada	-40	-895	-268	-131	-361	320	150	-560	-1,300	-66
Société canadienne d'hypothèques et de logement	364	195	254	234	273	201	194	65	238	105
Société des chemins de fer nationaux du Canada	2	9	352	29	12	12	13	15	16	17
Société pour l'expansion des exportations	39	64	49	55	25	-75	-16	0	0	-25
Société du crédit agricole	172	214	591	-179	230	104	-82	-159	71	-68
Banque fédérale de développement	157	119	93	51				-10	0	0
Autres	23	177	-241	1,391	555	-2	-9	-73	-412	386
Provision pour évaluation	717	-117	830	1,450	734	560	250	-722	-1,387	349
	27	-114	49	-782	609	-755	-39	151	1,289	435
Total des sociétés d'État «entreprises»	744	-231	879	668	1,343	-195	211	-571	-98	784
Autres prêts, placements et avances –										
Administrations provinciales et territoriales	67	110	89	37	28	-140	86	118	-672	-176
Gouvernements étrangers y compris les pays en voie de développement	-172	-142	124	81	132	696	19	-59	152	-52
Organismes internationaux	-378	-220	46	15	-24	-70	-37	-105	-197	-236
(souscriptions moins effets à payer)	-93	-61	237	319	36	362	0	0	88	0
Entreprises mixtes et en coparticipation	-131	171	60	-93	-418	142	-88	-86	495	-150
Divers	-707	-142	556	359	-246	990	-20	-132	-134	-614
Provision pour évaluation	599	400	-100	100	-200	200	100	470	420	260
	-108	258	456	459	-446	1,190	80	338	286	-354
Total autres prêts, placements et avances après la provision pour évaluation	636	27	1,335	1,127	897	995	291	-233	188	430
Comptes à des fins déterminées										
Comptes d'éléments de passif –										
Régime de pensions du Canada (net)	195	271	205	306	256	422	497	-278	-342	-111
Dettes au titre des régimes de retraite (net)	4,303	4,682	4,998	5,425	5,825	6,385	6,511	5,742	6,030	6,186
Compte des rentes sur l'État	-29	-35	-36	-37	-39	-41	-43	-43	-43	-42
Comptes de dépôt et de fiducie	254	423	19	-47	-526	-65	-42	-11	40	3
Compte des accords de perception fiscale avec les provinces	309	-227	57	1,050	-731	-368	-813	-241	-344	0
Autres	68	72	85	69	101	85	107	314	312	206
Total des comptes à des fins déterminées	5,100	5,186	5,328	6,766	4,886	6,418	6,217	5,483	5,653	6,242

Tableau 13

Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations des dépenses

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
(millions de dollars)										
OPÉRATIONS BUDGÉTAIRES										
Dépenses										
Paielements de transfert –										
Prestations de sécurité de la vieillesse,										
suppléments de revenu garanti et										
allocations au conjoint	11,418	12,525	13,445	14,349	15,202	16,154	17,131	18,393	19,106	19,903
Prestations d'assurance-chômage	10,052	10,036	10,444	10,487	10,972	11,694	14,665	18,126	19,065	17,626
Allocations familiales	2,418	2,501	2,534	2,564	2,606	2,653	2,736	2,821	2,194	7
Arrangements fiscaux	5,985	5,941	6,302	7,007	8,127	8,653	8,280	8,854	7,591	9,045
Assurance et services de soins médicaux	6,330	6,400	6,607	6,558	6,678	6,663	6,033	6,689	8,307	7,232
Régime d'assistance publique du Canada	3,745	3,916	4,051	4,246	4,556	5,006	5,788	6,099	6,686	7,236
Aide à l'éducation	2,265	2,277	2,232	2,242	2,227	2,166	1,862	2,142	2,887	2,378
Autres paielements de transfert	16,451	15,387	15,291	17,436	17,535	17,139	16,607	18,829	19,624	19,941
	58,664	58,983	60,906	64,889	67,903	70,128	73,102	81,953	85,460	83,368
Dépenses des sociétés d'État										
Autres dépenses de programmes –	6,159	4,479	4,936	5,872	5,572	5,237	5,713	5,252	6,219	5,298
Défense nationale	8,636	8,937	9,788	10,554	10,761	11,217	11,518	10,901	10,939	11,310
Tous les autres ministères et organismes	13,641	13,707	14,375	15,138	15,452	17,266	18,432	17,109	19,958	20,038
	22,277	22,644	24,163	25,692	26,213	28,483	29,950	28,010	30,897	31,348
Total des dépenses de programmes	87,100	86,106	90,005	96,453	99,688	103,848	108,765	115,215	122,576	120,014
Frais de la dette publique	22,393	25,422	26,668	28,963	33,152	38,789	42,588	41,174	38,825	37,982
Total des dépenses nettes	109,493	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996

Tableau 12
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations des recettes

OPÉRATIONS BUDGÉTAIRES										
Exercice clos le 31 mars										
(millions de dollars)										
Recettes										
Recettes fiscales –										
Impôt sur le revenu										
Des particuliers	29,254	33,008	37,878	45,125	46,026	51,895	57,601	61,222	58,283	51,051
Des sociétés	9,379	9,210	9,885	10,878	11,730	13,021	11,726	9,359	7,206	9,819
Cotisations et contributions d'assurance-chômage	7,553	8,719	9,558	10,425	11,268	10,738	12,707	15,394	17,535	18,233
Des non-résidents	1,021	1,053	1,355	1,162	1,578	1,361	1,372	1,261	1,191	1,272
Taxes et droits d'accise :	47,207	51,990	58,676	67,590	70,602	77,015	83,406	87,236	84,215	80,375
Taxe sur les produits et services							2,574	15,168	14,868	15,696
Taxe de vente	7,592	9,345	11,972	12,927	15,645	17,672	12,635	-1,969	-139	-75
Droits de douane à l'importation	3,794	3,971	4,187	4,385	4,521	4,587	4,001	3,999	3,811	3,652
Taxes en matière d'énergie	4,479	3,348	1,965	2,603	2,646	2,471	3,192	3,441	3,437	3,656
Autres	2,312	2,827	2,925	3,026	2,959	3,425	3,711	4,557	4,103	3,706
Autres recettes fiscales	18,177	19,491	21,049	22,941	25,771	28,155	26,713	25,196	26,080	26,635
Total des recettes fiscales	107	126	144	207	265	226	279	273	271	322
65,491	71,607	79,869	90,738	96,638	105,396	109,798	112,705	110,566	107,332	
Recettes non fiscales –										
Produits de placement :										
Banque du Canada	1,858	1,856	1,971	1,871	1,938	2,239	2,809	1,844	1,806	1,452
Société canadienne d'hypothèques et de logement	913	892	866	853	845	822	772	753	800	719
Société du crédit agricole	463	386	354	326	301	239	230	215	226	211
Compte du fonds des changes	224	(505)	366	752	1,658	1,661	2,258	2,900	3,209	2,916
Intérêt des dépôts bancaires	243	278	219	279	256	278	285	192	169	128
Autres produits de placement	597	754	479	656	549	611	453	617	628	716
Autres recettes non fiscales	4,298	3,661	4,255	4,737	5,547	5,850	6,807	6,521	6,838	6,142
Total des recettes non fiscales	1,267	1,665	1,807	2,137	1,882	2,461	2,748	2,806	2,976	2,510
5,565	5,326	6,062	6,874	7,429	8,311	9,555	9,327	9,814	8,652	
Total des recettes nettes	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984

RENSEIGNEMENTS FINANCIERS SUPPLÉMENTAIRES

Tableau 11

Gouvernement du Canada Présentation des comptes publics État sommaire des opérations

	Exercice clos le 31 mars									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	(millions de dollars)									
Opérations budgétaires										
Recettes	71,056	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984
Dépenses	-109,493	-111,528	-116,673	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996
Déficit	-38,437	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012
Opérations non-budgétaires										
Prêts, placements et avances	636	27	1,335	1,127	897	995	291	-233	188	430
Comptes à des fins déterminées	5,100	5,186	5,328	6,766	4,886	6,418	6,217	5,483	5,653	6,242
Autres opérations	2,877	-1,128	1,161	1,052	566	987	954	-2,693	683	5,490
Provenances nettes	8,613	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162
Besoins financiers (opérations de change non comprises)										
Opérations de change	-29,824	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850
TOTAL des besoins financiers ⁽¹⁾	-27,401	-24,884	-29,308	-25,998	-28,154	-21,227	-29,433	-30,859	-26,784	-26,719
Opérations de la dette non échue	26,847	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975
Variation de l'encaisse ⁽²⁾	-554	-1,114	-126	-3,085	300	-321	1,057	-1,795	2,107	-744
Encaisse en fin d'exercice	5,858	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137

(1) Besoins de trésorerie (-).

(2) Diminution de l'encaisse (-).

Autres sources de renseignements

Les Comptes publics du Canada

Les Comptes publics du Canada, conformément au paragraphe 64(1) de la Loi sur la gestion des finances publiques, sont déposés chaque automne par le président du Conseil du Trésor. Ils se présentent en deux volumes :

- le Volume I renferme les états financiers vérifiés du gouvernement du Canada ainsi que des tableaux et renseignements à l'appui;
- le Volume II fournit des détails sur les opérations financières par ministère (Partie I) ainsi que des renseignements supplémentaires (Partie II);

Le budget

Le budget, qui est habituellement déposé en février, présente le plan global du gouvernement en matière de recettes et de dépenses, dont le résultat détermine le déficit budgétaire. Le budget présente également les propositions de modifications fiscales.

Les budgets des dépenses

Les budgets des dépenses sont les plans de dépenses détaillés qui sont présentés chaque printemps au Parlement. Ils comprennent trois parties :

- la Partie I présente un aperçu du plan de dépenses du gouvernement;
- la Partie II détaille les dépenses par ministère, organisme et programme;
- la Partie III fournit des détails supplémentaires sur chaque ministère et ses programmes.

Dépenses fédérales : faits et chiffres / Dépenses fédérales – document explicatif

Ces brochures annuelles présentent des renseignements de base sur les dépenses gouvernementales des dernières années. Elles décrivent la structure globale des dépenses ainsi que les mesures prises par le gouvernement pour contrôler ces dernières.

La Revue financière

Ce bulletin mensuel produit par le ministère des Finances expose les faits saillants des résultats financiers du gouvernement du Canada ainsi que les raisons expliquant les principaux écarts.

Passif éventuel

Le passif éventuel du gouvernement représente les engagements ou obligations qui peuvent devenir réels lorsqu'un ou plusieurs événements futurs surviennent ou ne surviennent pas. Il peut résulter de dispositions législatives, de l'exercice de garanties, de réclamations et de causes en instance ou imminentes relatives à des revendications territoriales des autochtones et des droits en vertu des traités, à l'inexécution de contrats, à des dommages causés à des personnes et à la propriété, des participations payables à demande et des lignes de crédit dans les organisations internationales et autres éléments du même genre. En général le

passif éventuel est constaté dans les comptes du Canada lorsqu'il devient réel sauf pour les garanties d'emprunts et les emprunts des sociétés d'Etat mandataires, qui sont comptabilisés lorsqu'il est probable qu'on devra faire un paiement dans le futur et que le montant peut être déterminé avec suffisamment de précision. Au 31 mars 1994, le passif éventuel s'élevait à environ \$55 milliards (\$49 milliards en 1993), dont \$4.9 milliards (\$4.6 milliards en 1993) sont liés aux garanties d'emprunts et aux emprunts des sociétés d'Etat mandataires lesquels sont inscrits au passif dans les états financiers.

Régimes de retraite du secteur public

Aucune caisse de retraite distincte n'est constituée pour assurer le paiement de pensions aux employés du gouvernement, ainsi qu'aux parlementaires, aux membres des Forces canadiennes, à ceux de la Gendarmerie royale du Canada et aux juges. Les estimations actuarielles des obligations découlant des régimes de retraite du gouvernement sont déterminées annuellement en se fondant sur ses meilleures hypothèses démographiques et économiques influant sur le calcul de ces obligations. Les variations qui se produisent dans les données observées peuvent traduire des estimations plus ou moins élevées des paiements à effectuer.

Engagements contractuels

La nature des activités du gouvernement l'oblige à négocier des marchés importants à l'égard de sa situation financière actuelle ou qui auront un effet important sur ses dépenses futures. Les engagements contractuels ont rapport aux immobilisations, autres achats, contrats de location - exploitation ou de location - acquisition, accords de paiements de transfert, financement d'organisations internationales et régime de prestations pour les anciens combattants. Au 31 mars 1994 les engagements contractuels s'élevaient à environ \$25 milliards (\$26 milliards en 1993). Les prévisions de paiements pour les cinq prochains exercices sont d'environ \$4 milliards.

Programmes d'assurance

Trois sociétés d'État «entreprises» mandataires – la Société d'assurance-dépôts du Canada (SADC), la Société canadienne d'hypothèques et de logement (SCHL) et la Société pour l'expansion des exportations (SFE) – administrent des programmes d'assurance en tant que mandataires du gouvernement. En principe, ces programmes sont autosuffisants, mais advenant que ces sociétés manquent de fonds pour respecter leurs obligations, le gouvernement fournit les montants nécessaires. Au 31 mars 1994 le montant des assurances en cours est d'environ \$402 milliards (\$384 milliards en 1993). Le gouvernement est d'avis qu'aucune provision n'a besoin d'être établie dans ses états financiers pour ces programmes d'assurance.

établies pour les garanties d'emprunt non exécutées, les avantages sociaux et les autres obligations. La dette non échue est comptabilisée à sa valeur nominale. La valeur nette non amortie des primes et des escomptes à l'émission d'obligations est constatée avec les créditeurs et les charges à payer.

Modifications des conventions comptables

En 1994, des modifications ont été apportées aux conventions comptables concernant les prêts à rembourser à l'aide de crédits futurs; l'amortissement des primes et escomptes relatifs aux obligations négociables et des commissions sur les obligations d'épargne du Canada; et les remboursements d'impôt importants et inhabituels. L'effet net de ces modifications augmente le déficit accumulé au début de l'exercice de \$0,9 milliard (\$0,4 milliard en 1993).

Présentation des recettes et dépenses au brut

Les montants figurant dans l'état condensé des recettes et dépenses sont présentés sur une base brute seulement. Les recettes au brut comprennent les recettes des sociétés d'État consolidées et les recettes des ministères qui, sur une base nette, sont déduites des dépenses pour raison de présentation du budget et d'autorisations parlementaires. Les dépenses au brut comprennent les dépenses déterminées par le biais du régime fiscal, telles que les prestations fiscales pour enfants et les crédits d'impôt trimestriels pour la taxe sur les produits et services (TPS), qui sont déduits des recettes sur une base nette. L'état des recettes et dépenses dans les états financiers vérifiés de la section 1 du volume 1 des comptes publics présente à la fois des chiffres bruts et des chiffres nets.

Autorisations des opérations

Le gouvernement doit obtenir l'autorisation du Parlement pour percevoir des recettes, dépenser ou emprunter. Les autorisations de dépenser accordées par le Parlement se chiffraient à \$161,0 milliards (\$164,5 milliards en 1993), alors que \$158,0 milliards (\$161,4 milliards en 1993) ont été dépensés. Sur des autorisations d'emprunt de \$44,3 milliards (\$32,9 milliards en 1993), \$30,8 milliards (\$30,7 milliards en 1993) ont été empruntés.

Tableau 10

Gouvernement du Canada
Etat condensé de l'évolution de la situation financière
pour l'exercice terminé le 31 mars 1994

	1994	1993
(millions de dollars)		
Besoins de trésorerie pour :		
Activités de fonctionnement		
Déficit de l'exercice	42,012	41,021
Moins éléments sans effet sur la trésorerie	13,801	11,246
Besoins de trésorerie pour combler le déficit	28,211	29,775
Variation nette de l'actif et du passif à court terme, et des prestations payées sur les comptes de pension et autres	1,779	3,705
Besoins de trésorerie pour les activités de fonctionnement	29,990	33,480
Activités de placement		
Augmentation nette des prêts, placements et avances	265	1,521
Besoins de trésorerie avant opérations de change	30,255	35,001
Augmentation (diminution) nette des comptes de change	2,128	(5,748)
Total des besoins de trésorerie	32,383	29,253
Financés par :		
Augmentation nette des emprunts	25,975	28,891
En monnaie canadienne	5,259	1,965
En devises étrangères	31,234	30,856
Augmentation (diminution) nette de l'encaisse	(1,149)	1,603
Encaisse en début d'exercice	2,584	981
Encaisse en fin d'exercice	1,435	2,584

concurrence du solde encaisse de ce compte. Les sociétés d'Etat «entreprises», qui sont présentées en tant que placements, sont celles qui exercent une activité commerciale avec des tiers et qui ne dépendent pas de crédits parlementaires.

Principes comptables

En général, les opérations du gouvernement sont comptabilisées selon la méthode de la comptabilité d'exercice, à deux exceptions importantes près :

- les recettes fiscales et les remboursements d'impôt sont généralement comptabilisés selon la méthode de la comptabilité de caisse (lorsque les impôts sont perçus et les remboursements effectués) à l'exception des remboursements importants et inhabituels qui sont comptabilisés selon la méthode de la comptabilité d'exercice.
- les immobilisations et les stocks sont totalement imputés aux dépenses au moment de l'acquisition ou de la construction.

En conséquence de ces principes, seuls les actifs financiers sont constatés dans l'état de l'actif et du passif. Les actifs financiers sont ceux qui peuvent servir à acquitter des éléments de passif ou à financer des activités de fonctionnement futures. Ils comprennent les liquidités, l'or, les débiteurs, les prêts et placements. L'actif est comptabilisé selon la méthode d'évaluation au moindre du coût et de la valeur de réalisation nette espérée, sauf dans le cas de l'or (1994 – 5,6 millions d'onces à \$68,40 l'once; 1993 – 9,1 millions d'onces à \$61,57 l'once), qui est évalué à son coût approximatif en devises. Les recettes fiscales à recevoir ne sont pas enregistrées puisque les recettes fiscales sont comptabilisées selon la méthode de la comptabilité de caisse.

Tous les éléments de passif sont comptabilisés selon la méthode de la comptabilité d'exercice. Les obligations découlant des régimes de retraite du secteur public sont déterminées d'après une évaluation actuarielle et des provisions sont

Tableau 9

Gouvernement du Canada
Etat condensé de l'actif et du passif
au 31 mars 1994

1993	1994	(millions de dollars)
Passif		
Passif à court terme		
Crediteurs et charges à payer	21,111	16,698
Provision pour garanties et avantages sociaux des employés	8,485	7,840
Autres	3,710	3,543
Comptes de pension	33,306	28,081
Régime de pensions du Canada (net des titres détenus)	2,728	2,839
Pensions du secteur public	94,097	87,911
Dettes non échues	96,825	90,750
Obligations négociables	208,464	181,322
Obligations d'épargne du Canada	31,331	34,369
Bons du Trésor	166,000	162,050
Autres	8,180	5,000
Total du passif	544,106	501,572
Actif		
Actif à court terme		
Encaisse	1,435	2,584
Comptes débiteurs (nets des provisions pour créances douteuses)	3,941	3,968
Comptes de change, y compris l'or	5,376	6,552
Prêts, placements et avances	12,925	10,797
Sociétés d'Etat entreprises	19,188	19,537
Autres	14,407	13,793
Moins : provisions pour moins-values	33,595	33,330
	16,000	15,305
	17,595	18,025
Total de l'actif financier	35,896	35,374
Déficit accumulé	508,210	466,198

Principales conventions comptables

Périmètre comptable

Le périmètre comptable du gouvernement du Canada comprend les activités financières de l'ensemble des organismes et des fonds qui appartiennent au gouvernement ou qui sont contrôlés par celui-ci et qui ont à rendre compte au Parlement. Leurs états financiers sont consolidés, à l'exception du Régime de pensions du Canada et ceux des sociétés d'Etat «entreprises». La loi n'exige pas la comptabilisation du Régime de pensions du Canada selon une méthode actuarielle et limite le gouvernement au versement des prestations dans le cadre du régime jusqu'à

Notes afférentes aux états financiers
condensés du gouvernement du Canada
Introduction

Les présentes notes résument brièvement les conventions comptables du gouvernement du Canada ainsi que d'autres informations liées aux états financiers condensés. Pour plus de précisions sur celles-ci et pour plus de renseignements sur la situation financière ainsi que sur les résultats des opérations du gouvernement, le lecteur est prié de se reporter aux états financiers détaillés qui sont présentés dans la section 1 du volume I des comptes publics 1994.

LES ÉTATS FINANCIERS CONDENSÉS DU GOUVERNEMENT DU CANADA

Le but fondamental de ces états financiers condensés est de fournir au Parlement, et par le fait même au public, un aperçu de la nature et de l'étendue des activités et des ressources financières dont le gouvernement est responsable. Il incombe au gouvernement de veiller à l'intégrité et à l'objectivité de ces états financiers.

Les états financiers condensés reflètent la situation financière du gouvernement à la fin de l'exercice, ainsi que les résultats de ses opérations, le déficit, ses besoins financiers et l'évolution de la situation

financière pour l'exercice. Ces états financiers et les notes qui les accompagnent sont tirés des états financiers vérifiés et présentés sous une forme résumée. Les états financiers vérifiés se trouvent dans la section I du Volume I des comptes publics 1994 qui seront déposés devant le Parlement en octobre 1994. Ces états financiers condensés ont été préparés par le gouvernement du Canada en conformité avec les conventions comptables énoncées dans les notes afférentes.

Gouvernement du Canada Etat condensé des recettes et dépenses pour l'exercice terminé le 31 mars 1994

Tableau 8

	1994	1993
(millions de dollars)		
Recettes⁽¹⁾		
Recettes fiscales brutes	86,862	87,504
Impôts sur le revenu	29,850	29,081
Taxes et droits d'accise	322	271
Autres	117,034	116,856
Total	11,297	12,657
Recettes non fiscales brutes	128,331	129,513
Défalcations pour arriver aux recettes nettes	-12,347	-9,133
Recettes nettes	115,984	120,380
Dépenses		
Paiements de transfert bruts	19,578	18,758
Sécurité de la vieillesse et paiements connexes	17,587	19,006
Paiements aux autres administrations	26,273	25,847
Autres paiements de transfert	29,102	27,642
Total	92,540	91,253
Dépenses brutes des sociétés d'Etat	5,913	6,880
Autres dépenses de programmes brutes	33,908	33,576
Dépenses de programmes	132,361	131,709
Frais de la dette publique	37,982	38,825
Total des dépenses brutes	170,343	170,534
Défalcations pour arriver aux dépenses nettes	-12,347	-9,133
Dépenses nettes	157,996	161,401
Déficit de l'exercice	42,012	41,021
Déficit accumulé	466,198	425,177
En début d'exercice (remarque 2)		
En fin d'exercice	508,210	466,198

(1) Tous les montants détaillés de ce condensé sont présentés sur une base brute; voir Présentation des recettes et dépenses au brut (p. 24) pour de plus amples explications.



OPINION DU VÉRIFICATEUR GÉNÉRAL SUR LES ÉTATS FINANCIERS CONDENSÉS DU GOUVERNEMENT DU CANADA

Au ministre des Finances,

J'ai vérifié, conformément aux normes de vérification généralement reconnues, l'état de l'actif et du passif du gouvernement du Canada au 31 mars 1994, ainsi que les états des recettes et dépenses, du déficit accumulé, de l'évolution de la situation financière et des opérations pour l'exercice clos à cette date. Dans mon rapport à la Chambre des communes du 26 juillet 1994, j'ai exprimé une opinion sans réserve sur ces états financiers. Mon rapport de vérification et les états financiers seront inclus dans le Volume 1 des Comptes publics de 1994, qui devraient être déposés à la Chambre des communes plus tard cette année.

À mon avis, les états financiers condensés ci-joints des recettes et dépenses, de l'actif et du passif et de l'évolution de la situation financière résument fidèlement, à tous égards importants, l'information connexe contenue dans les états financiers complets dont elle est tirée.

Le vérificateur général du Canada,

A stylized, cursive signature in dark ink, reading "L. Denis Desautels".

L. Denis Desautels, FCA

Ottawa, Canada
le 26 juillet 1994

plus importantes. De plus, le budget de février 1994 prévoyait \$500 millions pour les remboursements d'impôt aux sociétés par suite d'un litige fiscal portant sur la déduction relative aux ressources.

Le déficit effectif a été inférieur de \$2.0 milliards à la borne inférieure de la fourchette. Les sommes perçues, en particulier au titre de l'impôt sur les sociétés, se sont quelque peu redressées au dernier trimestre tandis que les provisions pour

éventualités n'ont pas toutes été nécessaires. Un changement de convention comptable touchant les remboursements importants et inhabituels a entraîné une réaffectation des engagements liés à la déduction relative aux ressources, qui ont été imputés à l'exercice 1992-93 plutôt qu'à 1993-94 comme il était prévu dans le budget. Les frais de la dette publique ont été moins élevés en raison d'un changement apporté à la comptabilisation des primes et escomptes, désormais comptabilisés selon la méthode de l'exercice.

Les écarts enregistrés entre les prévisions et l'évolution effective de l'économie en 1993 ont eu des incidences en grande partie compensatrices. La croissance moins vigoureuse que prévu du revenu nominal a exercé une influence négative sur les recettes budgétaires, mais ce facteur a été compensé par une diminution des prestations d'assurance-chômage versées et une baisse des frais de la dette publique.

La différence entre le déficit prévu dans le budget d'avril 1993 et le résultat effectif est imputable à des éléments découlant des exercices précédents, de même qu'à des facteurs spéciaux, notamment :

- les remboursements plus élevés qui ont été versés et les impôts plus faibles qui ont été perçus lors de la production des déclarations relatives à l'année d'imposition 1992, au début de l'exercice 1993-94;

- le traitement plus rapide des remboursements d'impôt aux particuliers en mars 1994;

- les provisions insuffisantes constituées au titre des demandes de paiement de stabilisation des provinces;

- les frais de restructuration liés à la réduction des effectifs à la Défense nationale et l'annulation du projet des hélicoptères EH-101;

- la décision de ne pas donner suite à l'annonce, faite dans le budget d'avril 1993, de verser les crédits pour TPS aux contribuables à revenu modeste chaque semestre plutôt que chaque trimestre;

- le développement de l'économie souterraine sous l'effet, en bonne partie, d'une intensification de la contrebande du tabac.

Pour donner des chiffres précis, les recettes ont été inférieures de \$10,9 milliards au niveau prévu dans le budget d'avril 1993. Les rentrées d'impôt sur le revenu des particuliers ont été plus faibles de \$7,1 milliards à cause de la progression plus lente que prévu du revenu des particuliers, des versements d'impôt plus faibles lors de la production des déclarations et des remboursements plus élevés au titre de l'année d'imposition 1992, ainsi que du traitement plus rapide des remboursements d'impôt aux particuliers.

Les cotisations d'assurance-chômage ont été surestimées de \$0,7 milliard, à cause d'une progression plus lente que prévu de l'emploi et du salaire moyen. Le produit de la TPS a diminué de \$1,7 milliard, dont \$0,6 milliard par suite de la décision de ne pas modifier le calendrier de versement du crédit aux contribuables à revenu modeste, qui continue d'être versé trimestriellement au lieu de deux fois par année. La différence restante est due en majeure partie aux dates de versement du crédit et des remboursements.

La diminution des ventes intérieures de produits du tabac sur lesquelles la taxe était acquittée explique en majeure partie la surestimation des taxes et des droits de vente et d'accise. Les autres recettes ont été plus faibles à cause de l'incidence des taux d'intérêt moins élevés que prévu sur l'encaisse.

Les dépenses de programmes totales, soit \$120,0 milliards, ont été identiques au chiffre prévu dans le budget d'avril 1993. On note cependant des écarts notables selon les catégories de dépenses. Les principaux transferts aux particuliers ont été plus faibles que prévu à cause, principalement, de versements moindres de prestations d'assurance-chômage. Par contre, les principaux transferts aux provinces ont été plus élevés à cause d'engagements accrus au titre des paiements de stabilisation. Les écarts ont été dus, pour les autres composantes, à des réaffectations entre catégories de même qu'à des provisions plus élevées au titre des engagements contractés.

Les frais de la dette publique ont été plus faibles que prévu, principalement à cause de taux d'intérêt moins élevés que projeté et de l'incidence d'un changement de méthode comptable, les primes et escomptes relatifs aux titres négociables étant désormais comptabilisés selon la méthode de l'exercice.

Dans le budget de février 1994, le point médian d'une fourchette de \$44 à \$46 milliards était utilisé pour les besoins de la présentation. On supposait dans ce budget que les recettes n'augmenteraient pas au cours du dernier trimestre de l'exercice, tandis que les provisions pour éventualités étaient

LA «CARTE DE POINTAGE»

Dans cette section, les chiffres effectifs enregistrés au titre d'indicateurs économiques choisis et des résultats financiers sont comparés aux prévisions faites dans les budgets d'avril 1993 et de février 1994.

Le budget d'avril 1993 prévoyait pour 1993-94 un déficit de \$32.6 milliards, chiffre inférieur de \$9.4 milliards au résultat vérifié. Le déficit prévu dans le budget d'avril 1993 reposait sur l'hypothèse que le PIB réel croîtrait d'environ 3 pour cent, que l'inflation, mesurée par la hausse de l'indice implicite des prix du PIB, serait de 1.6 pour cent et que le PIB nominal progresserait

de 4.6 pour cent. Il supposait également que les taux d'intérêt à court terme seraient ramenés à 5.3 pour cent et les taux à long terme à 7.7 pour cent.

La croissance économique, aussi bien réelle que nominale, s'est révélée moins vigoureuse que prévu en avril 1993. Les revenus nominaux ont été inférieurs de près de \$7.5 milliards aux prévisions en 1993, ce qui a entraîné des rentrées d'impôt direct plus faibles. Les taux d'intérêt à court terme ont baissé davantage que prévu, ce qui a eu un effet favorable sur les frais de la dette publique.

Tableau 7
La «carte de pointage»

	Observés	Budget d'avril 1993	Budget de février 1994
(pour cent)			
Indicateurs économiques			
PIB réel	2.2	2.9	2.5
Inflation	1.8	2.5	1.8
IPC	1.1	1.6	0.8
Indice implicite des prix du PIB	3.4	4.6	3.3
PIB nominal	5.0	5.3	5.0
Taux d'intérêt	7.8	7.7	7.2
Effets commerciaux à 90 jours			
Obligations du gouvernement à 10 + ans			
(milliards de dollars)			
Résultats financiers			
Recettes budgétaires	51.1	58.1	52.1
Impôt sur le revenu des particuliers	9.8	9.7	8.8
Impôt sur le revenu des sociétés	18.2	19.0	18.0
Cotisations d'assurance-chômage	15.7	17.4	15.6
Taxe sur les produits et services	10.9	12.1	10.5
Taxes de vente et d'accise/droits	10.2	10.6	9.7
Autres recettes			
Dépenses de programmes	116.0	126.9	114.7
Principaux transferts aux particuliers	39.0	41.0	40.3
Principaux transferts aux autres administrations	27.4	26.4	27.1
Autres transferts	17.0	16.0	16.0
Paiements aux sociétés d'Etat	5.3	4.7	4.9
Défense	11.3	11.3	12.0
Fonctionnement de l'Etat	20.0	20.6	21.5
Total	120.0	120.0	121.8
Frais de la dette publique	38.0	39.5	38.5
Déficit	-42.0	-32.6	-45.7
Opérations non budgétaires	12.1	6.1	12.0
Besoins financiers	-29.9	-26.5	-33.7
(opérations de change exclues)			

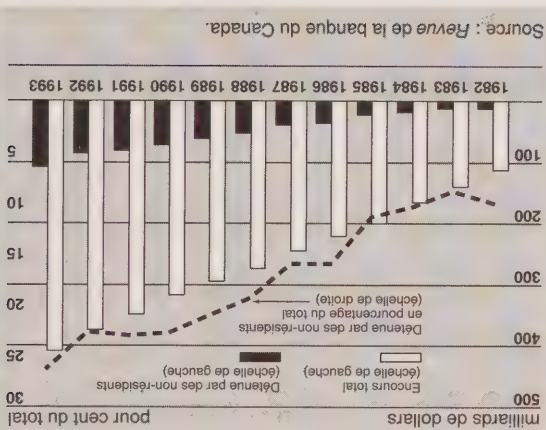
Tableau 6

Encours de la dette en fin d'exercice

	1993-94	1992-93	1991-92
Dette non échue	414.0	382.7	351.9
Passif des comptes de pension	96.8	90.8	85.1
Total de la dette portant intérêt	510.8	473.5	437.0
Autre passif	33.3	28.1	28.7
Passif total (dette brute)	544.1	501.6	465.7
Moins : actifs financiers	35.9	35.4	40.5
Déficit accumulé (dette nette)	508.2	466.2	425.2

Les portefeuilles étrangers de titres négociables du gouvernement canadien atteignaient \$110 milliards, selon les estimations, à la fin de mars 1994, soit 26 pour cent de la dette totale contractée sur les marchés par le gouvernement.

Dette du gouvernement du Canada détenue à l'étranger



LES BESOINS FINANCIERS ET LA DETTE

Les besoins financiers représentent l'écart entre les décaissements et les encaissements de l'État. Ils sont habituellement inférieurs au déficit, puisqu'ils tiennent compte des ressources nettes dégagées par les opérations non budgétaires. Ces dernières comprennent les opérations de prêt, de placement et d'avance, les activités des comptes de pension des employés de l'État, les transactions des autres comptes déterminés et les opérations touchant le passif et les actifs financiers.

Les opérations non budgétaires se sont soldées en 1993-94 par des ressources nettes de \$12,2 milliards, comparativement à \$6,5 milliards en 1992-93. Cette augmentation est due principalement au fait qu'en 1993-94 des engagements accrus ont été contractés sans entraîner de décaissements.

Les activités du Compte du fonds des changes visent à promouvoir l'ordre et la stabilité sur le marché des changes. À cette fin, le Fonds achète des devises (en vendant des dollars canadiens) lorsque le cours de la monnaie canadienne subit des pressions à la hausse et vend des devises (en achetant des dollars canadiens) lorsque notre monnaie subit des pressions à la baisse.

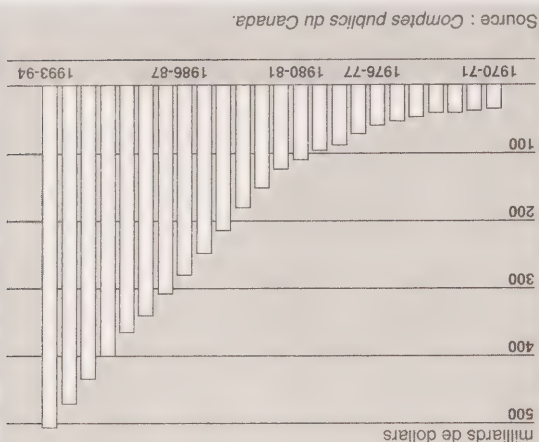
Au cours de 1993-94, les opérations de change ont dégagé des ressources nettes de \$3,1 milliards, contre \$7,7 milliards en 1992-93. Cette baisse

Tableau 5
Les besoins financiers et la dette

	1993-94	1992-93	1991-92
Déficit budgétaire	-42,0	-41,0	-34,5
Opérations non budgétaires	12,2	6,5	2,7
Opérations de change	3,1	7,7	0,9
Besoins financiers	-26,7	-26,8	-30,9
Hausse de la dette non échue	26,0	28,9	29,1
Variation de l'encaisse	-0,7	2,1	-1,8

(milliards de dollars)

Dette portant intérêt



est attribuable à un fléchissement du dollar canadien plus marqué en 1992-93 qu'en 1993-94.

L'ensemble des besoins financiers, opérations de change comprises, s'est donc établi à \$26,7 milliards en 1993-94, à peu près au même niveau que les besoins nets de 1992-93.

Pour financer ces besoins, le gouvernement contracte des emprunts sur les marchés ou effectue des prélèvements sur son encaisse. Les emprunts totaux au secteur privé (les opérations de la dette non échue) se sont chiffrés à \$26,0 milliards en 1993-94, en baisse de \$2,9 milliards par rapport aux emprunts effectués sur les marchés financiers au cours de l'exercice précédent. L'encaisse s'établissait au 31 mars 1994 à \$2,1 milliards, en baisse de \$0,7 milliard par rapport à 1992-93.

La dette portant intérêt, qui comprend la dette non échue et les sommes empruntées aux comptes de pension, se chiffrait à \$510,8 milliards en 1993-94, en hausse de \$37,3 milliards par rapport à 1992-93. Sur ce total, \$10,7 milliards étaient libellés en devises étrangères, soit près du double du chiffre enregistré en 1992-93.

- Les autres dépenses de programmes comprennent les frais de fonctionnement de l'administration fédérale et le coût des services spécifiques fournis au public, par exemple :
- les soins de santé dispensés aux autochtones et aux anciens combattants;
 - les recherches effectuées par les fonctionnaires fédéraux;
 - le fonctionnement des aéroports et des parcs nationaux;
 - la perception des impôts et taxes;
 - le fonctionnement des établissements correctionnels fédéraux et la prestation de services policiers;
 - la mise en oeuvre des programmes.

Les dépenses dans ce domaine ont augmenté de \$82 millions, soit de 0,4 pour cent, par rapport à 1992-93. Les dépenses de personnel ont très peu augmenté en 1993-94 par rapport à l'exercice précédent. Cela est dû au gel salarial annoncé dans l'*Exposé économique et financier* de décembre 1992 de même qu'aux réductions des budgets de fonctionnement de la plupart des ministères. Par contre, une augmentation de la charge de travail au Revenu national et au ministre du Solliciteur général, le coût de l'élection générale de 1993 et l'augmentation des dépenses des Transports pour les travaux de voirie ont compensé ces facteurs.

en 1992-93 en raison du rajustement des chiffres du recensement pour les exercices précédents et à l'effet continu des mesures de restriction annoncées dans les budgets précédents (\$1,6 milliard); et

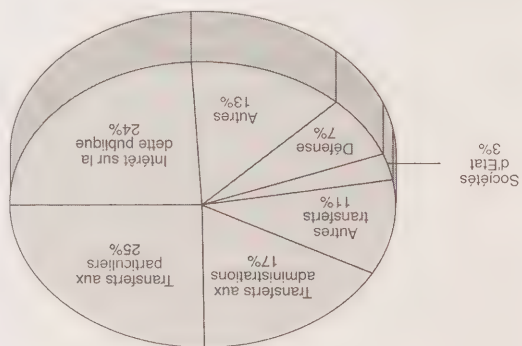
- la diminution des prestations d'assurance-chômage en raison principalement des changements structurels annoncés dans l'Exposé économique et financier de décembre 1992. Ces changements ont ramené le taux de prestation de 60 à 57 pour cent du maximum des gains assurables pour les nouveaux bénéficiaires, à compter d'avril 1993, et ont exclu les personnes qui quittaient leur emploi sans justification valable (\$1,4 milliard). Si le nombre des chômeurs n'a à peu près pas changé de 1992 à 1993, le nombre des personnes admissibles aux prestations a diminué de 7 pour cent.

Parmi les autres transferts :

- les prestations versées aux personnes âgées ont augmenté de \$0,8 milliard, surtout en raison de l'accroissement de la population admissible;
- les transferts du Régime d'assistance publique du Canada se sont accrus de \$0,6 milliard;
- les dépenses consacrées aux programmes des Indiens et Inuit par le ministère des Affaires indiennes et du Nord canadien ont augmenté de \$0,3 milliard;
- la plupart des autres transferts ont diminué en 1993-94 par rapport à l'exercice précédent.

Les dépenses relatives aux sociétés d'Etat ont reculé de \$0,9 milliard, soit de 14,8 pour cent. Cette baisse a été due dans une large mesure aux importantes réévaluations effectuées en 1992-93, qui ne se sont pas reproduites en 1993-94. Les dépenses consacrées à la défense se sont inscrites à la hausse en raison des coûts ponctuels liés à l'annulation du projet des hélicoptères EH-101 et aux dépenses de restructuration entraînées par la réduction des effectifs de la Défense nationale, conformément à l'annonce faite dans le budget de février 1994.

Dépenses totales nettes pour 1993-94



Source : Comptes publics du Canada.

il a été indiqué, les recettes budgétaires ont été déprimées en 1993-94 par un certain nombre de facteurs à caractère extraordinaire. Compte non tenu de l'influence de ces facteurs, la « part des programmes » est d'environ 100 pour cent.

Les dépenses de programmes peuvent se répartir en plusieurs grandes catégories :

- les paiements de transfert, dont la majeure partie bénéficie aux particuliers et à d'autres paliers de gouvernement;
- les dépenses relatives aux sociétés d'Etat;
- la défense;
- les dépenses de fonctionnement et d'immobilisation de l'administration fédérale.

La baisse des paiements de transfert nets a été attribuable en grande partie aux facteurs suivants :

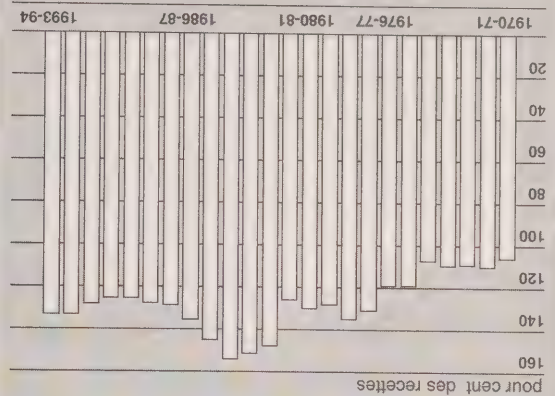
- le remplacement de l'allocation familiale mensuelle, qui faisait partie des dépenses de programmes, par la prestation fiscale pour enfants, dont le coût est déduit des sommes perçues au titre de l'impôt des particuliers (réduction de \$2,2 milliards des dépenses de programmes);
- la diminution des transferts aux provinces au titre du Financement des programmes établis. Cela est dû à d'importants paiements rétroactifs

En termes nets, les dépenses budgétaires ont diminué de \$3,4 milliards, soit de 2,1 pour cent. La baisse beaucoup plus marquée des dépenses nettes est attribuable à la restructuration du système des prestations pour enfants qui, entre autres choses, a remplacé l'allocation familiale versée mensuellement laquelle faisait partie des dépenses budgétaires par la prestation fiscale pour enfants, dont le coût est déduit des recettes budgétaires.

Les dépenses budgétaires nettes en proportion des recettes budgétaires nettes, soit le «ratio des dépenses», s'établissaient à 136,2 pour cent, contre 134,1 pour cent en 1992-93. Cela signifie qu'en 1993-94 le gouvernement a dépensé 36 pour cent de plus que ce qu'il a perçu en recettes. Cet écart a dû être financé par des emprunts et des opérations non budgétaires.

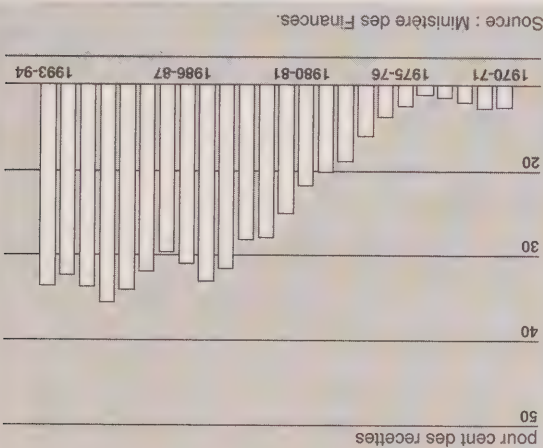
Les frais de la dette publique ont diminué de 2,2 pour cent en 1993-94, à la faveur de la diminution des taux d'intérêt pendant la majeure partie de l'exercice. Le taux d'intérêt effectif moyen sur la dette non échue du gouvernement fédéral au 31 mars 1994 se situait à 6,76 pour cent, en baisse de 112 centièmes par rapport au 31 mars 1993. Les effets de la baisse des taux d'intérêt ont plus que compensé la hausse de la dette non échue brute, qui a augmenté de \$31,2 milliards pour atteindre \$414,0 milliards au 31 mars 1994.

Le ratio des dépenses



Source : Ministère des Finances.

La part de l'intérêt

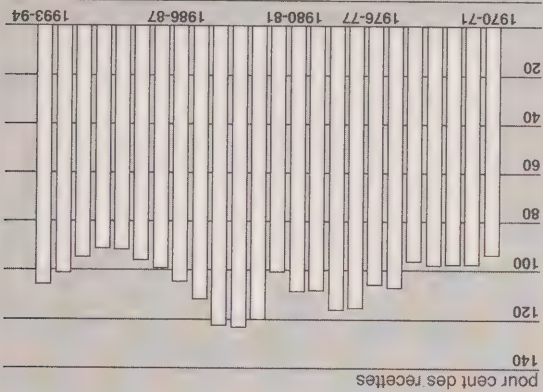


Source : Ministère des Finances.

En proportion des recettes budgétaires, les frais de la dette publique sont passés de 32,3 pour cent en 1992-93 à 32,7 pour cent en 1993-94. Cela signifie qu'en 1993-94 le gouvernement dépendait près de 33 cents de chaque dollar de recettes pour payer les intérêts sur la dette publique.

Les dépenses de programmes nettes, c'est-à-dire les dépenses budgétaires nettes diminuées des frais de la dette publique, ont baissé de \$2,6 milliards, soit de 2,1 pour cent, en 1993-94. Les dépenses de programmes en proportion des recettes nettes, soit la «part des programmes», se situaient à 103,5 pour cent en 1993-94. Cependant, comme

La part des programmes



Source : Ministère des Finances.

LES DÉPENSES BUDGÉTAIRES

Le tableau 4 présente les dépenses budgétaires en chiffres bruts et en chiffres nets. Les dépenses budgétaires brutes comprennent certaines dépenses déterminées par le biais du régime fiscal, par exemple la prestation fiscale pour enfants et le crédit pour TPS aux contribuables à revenu modeste. Les chiffres bruts ne comprennent pas non plus certaines recettes directement liées aux services fournis et qui, en termes nets, sont inscrites au crédit du ministère qui assure la prestation du service.

Dépenses budgétaires

Tableau 4

		(millions de dollars)			
		1992-93		1993-94	
		Brutes	Nettes	Brutes	Nettes
Principaux transferts aux particuliers	Prévisions d'assurance-chômage	19,006	19,065	17,587	17,626
	Prévisions de sécurité de la vieillesse	18,758	19,106	19,578	19,903
	Allocations familiales/prestations fiscales pour enfants	5,514	2,194	6,476	7
	Allocations aux anciens combattants	1,459	1,459	1,444	1,444
	Total	44,737	41,824	45,085	38,980
Principaux transferts aux autres administrations	Financement des programmes établis	11,194	11,194	9,610	9,610
	Transferts fiscaux	9,083	9,083	10,581	10,581
	Régime d'assurance publique du Canada	6,686	6,686	7,236	7,236
	Total	26,963	26,963	27,427	27,427
Autres transferts/subventions importants	Subventions à l'agriculture	2,146	2,146	1,425	1,425
	Programmes des Indiens et Inuit	3,915	3,915	4,219	4,219
	Industrie, sciences et technologie	1,425	1,425	1,268	1,268
	Création d'emploi/adaptation de la main-d'oeuvre	1,438	1,438	1,391	1,391
	Affaires étrangères	2,537	2,537	2,380	2,380
	Autres	8,092	5,212	9,345	6,278
	Total	19,553	16,673	20,028	16,961
Total des transferts		91,253	85,460	92,540	83,368
Paielements aux principales sociétés d'Etat	Société canadienne d'hypothèques et de logement	1,979	1,979	1,945	1,945
	Société Radio-Canada	1,110	1,110	1,090	1,090
	Autres	3,791	3,130	2,878	2,263
	Total	6,880	6,219	5,913	5,298
Défense	Personnel	5,841	5,841	5,744	5,744
	Immobilisations	2,601	2,497	2,571	2,571
	Autres dépenses de fonctionnement	2,869	2,497	3,311	2,995
	Total	11,311	10,939	11,626	11,310
Dépenses des autres ministères	Personnel	12,674	12,674	12,987	12,987
	Immobilisations	1,864	1,864	2,110	2,110
	Autres dépenses de fonctionnement	7,727	5,420	7,185	4,941
	Total	22,265	19,958	22,282	20,038
Total des dépenses de programmes		131,709	122,576	132,361	120,014
Frais de la dette publique		38,825	38,825	37,982	37,982
Total des dépenses budgétaires		170,534	161,401	170,343	157,996

Les cotisations d'assurance-chômage ont augmenté de \$0,7 milliard sous l'effet de la croissance de l'emploi et du relèvement du maximum des gains assurables, l'assiette servant au calcul des cotisations. Les taux de cotisation n'ont fondamentalement pas changé.

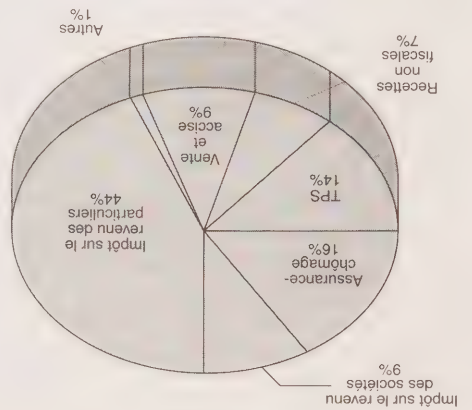
Les sommes perçues au titre de la taxe sur les produits et services (TPS) ont augmenté de 5,6 pour cent d'une année sur l'autre. Cette hausse a été due à une reprise de la consommation et à l'intensification des activités de perception de Revenu Canada.

Les taxes de vente et d'accise et droits ont baissé de 2,5 pour cent.

- Les droits de douane à l'importation ont diminué de 4,2 pour cent en raison des réductions tarifaires mises en oeuvre par suite de l'Accord de libre-échange canado-américain.

- Les taxes d'accise et de vente ont régressé de 1,5 pour cent, surtout en raison de la diminution des ventes intérieures de produits du tabac sur lesquelles la taxe était acquittée. Les autres recettes fiscales ont augmenté de 9,0 pour cent, en raison principalement de l'augmentation des impôts sur les non-résidents résultant du rétablissement des bénéfices des sociétés.
- La baisse des recettes non fiscales a été due pour une large part à la diminution des profits du Compte du fonds des changes et des bénéfices de la Banque du Canada, en partie par suite de la diminution des taux d'intérêt.

Recettes nettes pour 1993-94



Source : Comptes publics du Canada.

En chiffres nets, les recettes budgétaires se sont établies à \$116,0 milliards, en baisse de 3,7 pour cent par rapport à 1992-93. Le fait que la diminution ait été plus marquée en termes nets est dû à l'instauration de la prestation fiscale pour enfants, en janvier 1993.

En proportion du PIB, les recettes fiscales nettes sont passées à 15,1 pour cent, contre 16,1 pour cent en 1992-93. La diminution de ce ratio est attribuable en bonne partie aux facteurs particuliers mentionnés précédemment. Si l'on tient compte de ces facteurs, la « part des impôts et taxes » n'a à peu près pas changé par rapport à 1992-93.

Les principales composantes des recettes budgétaires sont :

- l'impôt sur le revenu des particuliers;
- l'impôt sur les bénéfices des sociétés;
- les cotisations d'assurance-chômage;
- la taxe sur les produits et services;
- les taxes de vente et d'accise, qui comprennent les droits de douane à l'importation, les taxes d'accise sur les carburants et les autres taxes et droits d'accise, principalement sur le tabac et les produits du tabac;
- les autres recettes fiscales, soit un impôt sur les non-résidents et des recettes fiscales diverses;

- les recettes non fiscales, qui se composent des revenus de placements et de recettes non fiscales diverses.

Les sommes nettes perçues au titre de l'impôt sur le revenu des particuliers ont baissé de \$7,2 milliards, principalement à cause de facteurs ponctuels et d'éléments liés aux exercices antérieurs, notamment :

- l'instauration en janvier 1993 de la prestation fiscale pour enfants, dont le coût est déduit des sommes perçues au titre de l'impôt des particuliers (-\$3,8 milliards);
- les remboursements plus élevés qui ont été versés et les impôts plus faibles qui ont été perçus lors de la production des déclarations de revenu pour l'année d'imposition 1992, de 1993-94 (-\$2,4 milliards);
- un traitement plus rapide en mars 1994 des remboursements d'impôt aux particuliers pour 1993 (-\$1,8 milliard);
- des recouvrements à caractère extraordinaire au titre du compte des accords de perception fiscale avec les provinces en février 1993, à cause des paiements en trop faits à l'égard de l'année d'imposition 1991 (-\$1,0 milliard), mais des versements au même titre en 1993-94 à cause de versements insuffisants pour l'année d'imposition 1993 (\$1,0 milliard).

Si l'on exclut ces facteurs ponctuels, les sommes perçues au titre de l'impôt sur le revenu des particuliers ont augmenté d'une année sur l'autre, parallèlement à la progression des revenus personnels.

Les rentées d'impôt sur les bénéfices des sociétés ont augmenté de \$2,6 milliards, soit de 36,3 pour cent. Cette hausse est due à la fois à des remboursements anormalement élevés en 1992-93, y compris la comptabilisation de certaines obligations liées à des remboursements d'impôt, et à l'augmentation des bénéfices des sociétés en 1993. Les obligations liées à des remboursements d'impôt découlent de la décision de la Cour suprême de ne pas entendre l'appel du gouvernement concernant certaines questions fiscales se rattachant aux déductions relatives aux ressources en 1974 et 1975.

LES RECETTES BUDGÉTAIRES

Le tableau 3 présente les recettes budgétaires à la fois en chiffres nets et en chiffres bruts. Les résultats bruts reflètent davantage l'évolution fondamentale de l'économie, tandis que les chiffres nets correspondent à la manière dont les résultats sont présentés au Parlement. La différence entre les deux séries de chiffres est due principalement à

- certaines dépenses déterminées par le biais du régime fiscal, par exemple la prestation fiscale pour enfants (dont le coût est déduit des rentrées d'impôt sur le revenu des particuliers) et le crédit pour TPS aux contribuables à revenu modeste (qui est porté en déduction du produit de la TPS);
- certaines recettes qui sont portées au crédit des ministères pour des services particuliers, comme la taxe sur les transports aériens (dont le produit est déduit des dépenses de navigation aérienne).

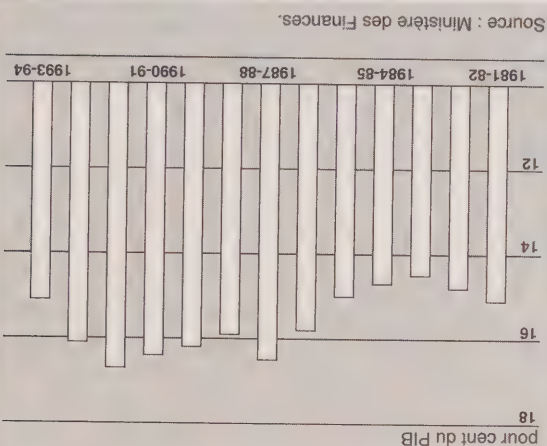
Les recettes budgétaires brutes se sont élevées à \$128,3 milliards en 1993-94, en baisse de 0,9 pour cent par rapport à l'exercice précédent. Cette faible baisse des recettes est due à plusieurs facteurs spéciaux, notamment :

- les remboursements plus élevés qui ont été versés et les impôts plus faibles qui ont été perçus lors de la production des déclarations de revenus relatives à l'année d'imposition 1992;

Tableau 3
Recettes budgétaires

		1992-93		1993-94	
		Brutes	Nettes	Brutes	Nettes
(millions de dollars)					
Impôt sur le revenu des particuliers	61,572	58,283	57,538	51,051	51,051
Impôt sur le revenu des sociétés	7,206	7,206	9,819	9,819	9,819
Cotisations à l'assurance-chômage	17,535	17,535	18,233	18,233	18,233
Taxe sur les produits et services	17,371	14,868	18,381	15,696	15,696
Taxes de vente et d'accise/droits	11,710	11,212	11,469	10,939	10,939
Autres recettes fiscales	1,462	1,462	1,594	1,594	1,594
Recettes non fiscales	12,657	9,814	11,297	8,652	8,652
Total des recettes	129,513	120,380	128,331	115,984	115,984

La part des impôts et taxes



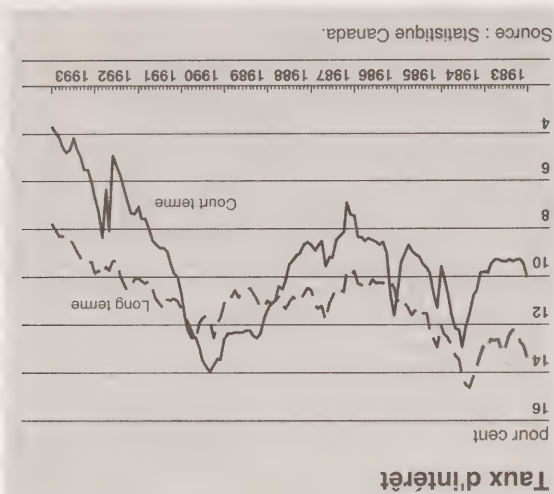
Source : Ministère des Finances.

- le traitement plus rapide des déclarations de revenu de 1993;
 - les recouvrements à caractère extraordinaire effectués en 1992-93 sur le compte des accords de perception fiscale avec les provinces et les paiements faits à ce titre en 1993-94.
- L'influence de ces facteurs a été en bonne partie compensée par une amélioration des diverses assiettes fiscales, grâce à la progression de l'emploi.

Contrairement avec la faible croissance du revenu du travail, les bénéfices des sociétés ont grimpé de 20,3 pour cent en 1993. Il s'agissait là de la première augmentation annuelle des bénéfices depuis 1988. Leur redressement est imputable à une meilleure maîtrise des coûts, à une amélioration de la productivité et au fléchissement du dollar. Néanmoins, les bénéfices des sociétés étaient encore inférieurs de près de 40 pour cent en 1993 à leur niveau record de 1988.

Les dépenses en biens et services de consommation assujettis à la taxe sur les produits et services (TPS) et aux autres impôts indirects ont augmenté de 3,4 pour cent en 1993, soit plus qu'en 1992 (2,6 pour cent). Les dépenses consacrées à certains biens, par exemple les automobiles, le mobilier et les appareils électro-ménagers, ont sensiblement progressé.

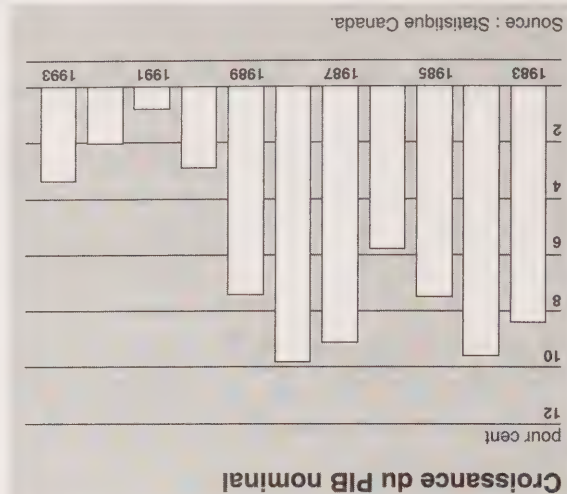
Sous l'impulsion de faibles tensions inflationnistes et d'un rythme relativement modéré de l'expansion économique, la conjoncture monétaire a continué de se détendre tout au long de l'année 1993. Le cours du dollar canadien et les taux d'intérêt ont diminué. Les taux à court terme sont passés de 7 pour cent au début de 1993 à moins de 4 pour cent au début de 1994. Les taux d'intérêt à long terme ont baissé de 142 centimes par rapport au niveau observé au début de 1993.



Les principales variables économiques qui se répercutent sur les résultats financiers du gouvernement fédéral sont le revenu des particuliers, les bénéfices des sociétés, la consommation et les taux d'intérêt.

Le revenu des particuliers, c'est-à-dire l'assiette de l'impôt direct des personnes physiques, n'a progressé que de 2,3 pour cent en 1993, soit à peu près inchangé par rapport à 1992. Le revenu du travail, qui représente 63,3 pour cent du revenu total des particuliers, a augmenté de 2,5 pour cent, c'est-à-dire à peu près au même taux que pendant chacune des deux années précédentes. L'augmentation du revenu du travail en 1993 a été due en majeure partie à la hausse de l'emploi, en hausse de 1,2 pour cent l'an dernier, alors qu'il avait reculé au cours de chacune des deux années précédentes. Cependant, étant donné que plus de la moitié de la progression de l'emploi était due à une hausse du travail à temps partiel, la croissance moyenne du revenu est restée lente. Par emploi, le revenu du travail s'est accru de 1,3 pour cent en 1993, contre une augmentation de 3,2 pour cent en 1992.

Parmi les autres composantes du revenu du travail, le revenu net des entreprises non constituées en société s'est élevé de 3,8 pour cent, contre 3,0 pour cent en 1992. Les intérêts et autres revenus de placements ont baissé sous l'effet de la diminution des taux d'intérêt.



L'ÉVOLUTION ÉCONOMIQUE EN 1993

Les principaux facteurs qui influent sur les résultats financiers de l'État sont l'évolution de la conjoncture économique, l'interaction du régime fiscal et de cette évolution, ainsi que l'incidence des mesures budgétaires.

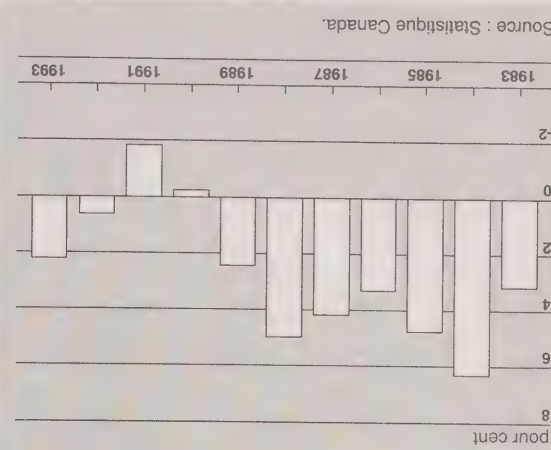
Cette section décrit brièvement l'évolution économique observée en 1993.

L'économie s'est raffermie l'an dernier. Le PIB réel avant correction de l'inflation a progressé de 2.2 pour cent, après avoir augmenté de 0.6 pour cent en 1992 et avoir diminué de 1.8 pour cent en 1991. Vers le milieu de 1993, la production totale de biens et de services avait dépassé le sommet précédent, atteint en 1989.

L'expansion économique enregistrée en 1993 a été permise en bonne partie par la persistance d'une vigoureuse croissance des exportations et une hausse des investissements en machines et matériel. La hausse des exportations a été favorisée par le fléchissement du dollar canadien, mais aussi par une amélioration notable de la compétitivité des entreprises canadiennes, qui ont ainsi été mieux en mesure de s'implanter sur les marchés étrangers.

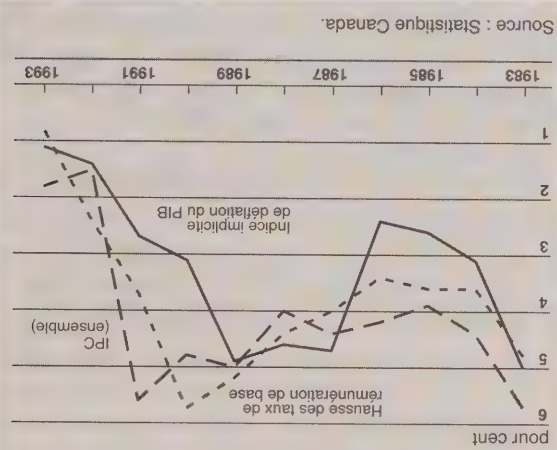
L'inflation est demeurée faible en 1993, malgré le fléchissement du dollar canadien et son effet sur les prix des importations. L'indice des prix à la

Croissance du PIB réel



Source : Statistique Canada.

Prix et coûts



Source : Statistique Canada.

Tableau 2 Principaux indicateurs économiques

	1992	1993
PIB réel	0.6	2.2
Inflation : IPC	1.5	1.8
Indice implicite des prix du PIB	1.4	1.1
PIB nominal	2.0	3.4
Revenu du travail	2.4	2.5
Bénéfices des sociétés	-1.9	20.3
Dépenses taxables des particuliers en biens et services	2.6	3.4
Emploi	-0.8	1.2
Taux d'intérêt		
Effets commerciaux à 90 jours (%)	6.7	5.0
Obligations du gouvernement à 10 + ans (%)	8.8	7.8

(variation en pourcentage d'une année sur l'autre)

Les révisions apportées en 1992-93

Le déficit enregistré pour 1992-93 – \$41 milliards – a été révisé par rapport au chiffre publié antérieurement de \$40,5 milliards. Cette révision est attribuable aux changements apportés aux conventions comptables de manière à se conformer davantage à l'esprit des recommandations du Comité sur la comptabilité et la vérification des organismes du secteur public de l'Institut canadien des comptables agréés. Au nombre de ces changements figurent :

- l'amortissement des primes, escomptes et commissions sur obligations (d'où une économie de \$569 millions);
- la comptabilisation selon la méthode de l'exercice des remboursements d'impôt sur le revenu importants et inhabituels (d'où un «coût» supplémentaire de \$1,1 milliard).

- une diminution du nombre des bénéficiaires de l'assurance-chômage, ce qui a fait baisser les prestations versées à ce titre (\$1,4 milliard);
- une baisse des dépenses relatives aux sociétés d'Etat (\$0,9 milliard) en raison des réévaluations à caractère extraordinaire effectuées en 1992-93;
- une diminution des frais de la dette publique (\$0,8 milliard) à la faveur de la baisse des taux d'intérêt.

Les prévisions du budget d'avril 1993

Le déficit enregistré pour 1993-94, soit \$42 milliards, dépasse de \$9,4 milliards le chiffre prévu dans le budget d'avril 1993. Cela est dû principalement à des recettes beaucoup plus faibles que prévu en raison des effets d'une récession marquée sur les revenus imposables en 1992 et aux facteurs particuliers mentionnés précédemment, qui étaient imprévus lors de la préparation du budget de 1993.

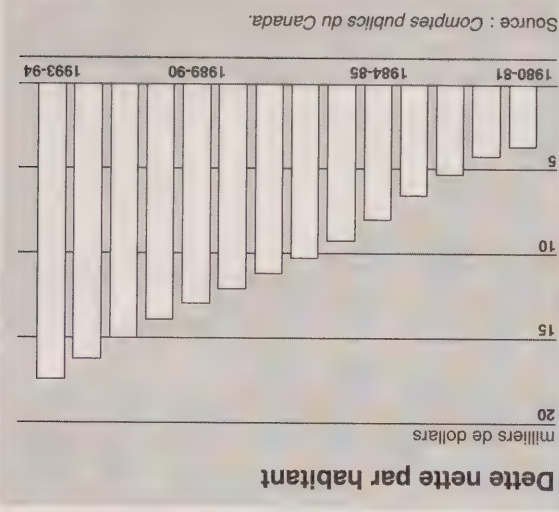
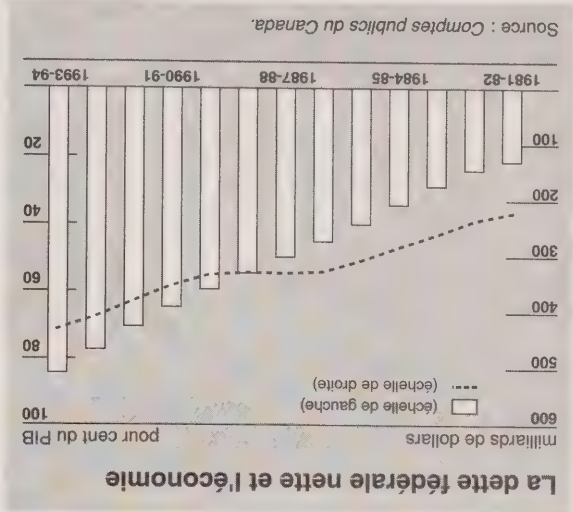
- Par personne, la dette publique se situait à \$17,484 par Canadien à la fin de 1993-94, contre \$16,263 un an auparavant.

La croissance du déficit

L'augmentation de \$1 milliard du déficit par rapport à 1992-93 est attribuable aux effets retardés de la récession de 1990-1991 de même qu'à certains facteurs particuliers. Ces influences ont été partiellement compensées par une hausse des rentrées d'impôt sur les sociétés et par une diminution des dépenses dans un certain nombre de domaines.

Les facteurs suivants ont poussé le déficit à la hausse :

- une augmentation des remboursements versés et une diminution des impôts perçus pour l'année d'imposition 1992 et des coûts transitoires liés à la restructuration de l'allocation familiale et des autres prestations fiscales en faveur de la famille, qui ont fait place à la nouvelle prestation fiscale intégrée pour enfants (\$2,4 milliards)
 - un traitement plus rapide des remboursements d'impôt aux particuliers pour 1993 (\$1,8 milliard), ce qui a réduit les recettes en 1993-94;
 - une baisse des sommes versées aux provinces au titre du Financement des programmes établis (une économie de \$1,6 milliard). Les versements ont diminué principalement parce que les dépenses avaient été augmentées en 1992-93 afin de compenser les paiements insuffisants des années précédentes;
 - une hausse de la provision constituée au titre des paiements futurs de stabilisation, le coût éventuel de l'aide financière spéciale susceptible d'être versée aux provinces lorsque leurs recettes accusent une chute marquée (\$1,4 milliard);
 - les dépenses de restructuration dans le domaine de la défense, y compris une provision au titre des pénalités découlant de l'annulation du projet des hélicoptères EH-101 (\$0,7 milliard);
 - une hausse des transferts aux provinces au titre de l'assistance sociale dans le cadre du Régime d'assistance publique du Canada (\$0,6 milliard).
- Si ces facteurs ont contribué à l'augmentation du déficit, ils ont été compensés dans une large mesure par des économies de dépenses ou des hausses de recettes, par exemple :
- une augmentation (de \$2,6 milliards) des impôts sur les bénéfices des sociétés grâce à la rentabilité accrue des sociétés et à l'affectation à l'exercice 1992-93 des obligations liées à la déduction relative aux ressources;
 - une baisse des sommes versées aux provinces au titre du Financement des programmes établis (une économie de \$1,6 milliard). Les versements ont diminué principalement parce que les dépenses avaient été augmentées en 1992-93 afin de compenser les paiements insuffisants des années précédentes;



FAITS SAILLANTS DU RAPPORT

- Le déficit fédéral s'est élevé à \$42 milliards pour l'exercice 1993-94. Ce chiffre représente la différence entre des dépenses budgétaires de \$158 milliards et des recettes budgétaires de \$116 milliards. Ce déficit de \$42 milliards était :
- supérieur de \$1,0 milliard au déficit révisé de 1992-93, soit \$41 milliards;
 - supérieur de \$9,4 milliards à la prévision (\$32,6 milliards) présentée dans le budget d'avril 1993;
 - inférieur de \$2 milliards à la fourchette du déficit (\$44 à \$46 milliards) prévue dans l'exposé de novembre 1993.

L'amélioration du déficit par rapport au chiffre projeté en novembre 1993 est attribuable à plusieurs facteurs, notamment :

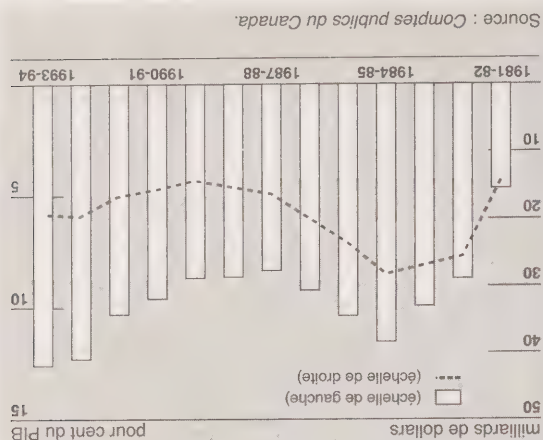
- Une croissance économique plus vigoureuse que prévu au dernier trimestre de 1993-94. Les recettes ont ainsi été plus élevées que projeté, en particulier au titre de l'impôt sur les sociétés, aux dépenses plus faibles au chapitre de l'assurance-chômage et aux frais de la dette publique.
- Le budget de février 1994 comportait une provision de \$500 millions au titre des impôts à rembourser aux sociétés par suite d'un litige fiscal touchant la déduction relative aux

Tableau 1
Aperçu financier

	1993-94	1992-93	1991-92
Résultats de fonctionnement	116,0	120,4	122,0
Recettes	-120,0	-122,6	-115,2
Dépenses de programmes	-38,0	-38,8	-41,2
Frais de la dette	-42,0	-41,0	-34,4
Déficit	35,9	35,4	40,5
Situation financière	-544,1	-501,6	-465,7
Actifs financiers	-508,2	-466,2	-425,2
Total du passif			
Déficit accumulé			
(Dette publique nette)			
Résultats financiers			
en % de PIB	5,9	6,0	5,1
Déficit			
Déficit accumulé			

(milliards de dollars)

Le déficit et l'économie



- En proportion de l'économie du Canada, ce déficit cumulé a atteint 71,4 pour cent. Il s'agit du plus haut niveau observé depuis la Deuxième Guerre mondiale.

La dette publique

Tandis que le déficit a augmenté au cours du dernier exercice, l'économie canadienne progressait encore plus vite. En conséquence, le déficit de \$42 milliards représentait 5,9 pour cent de la production économique annuelle du Canada (le PIB), en légère amélioration par rapport à l'année précédente, pendant laquelle le déficit représentait 6 pour cent du PIB.

La part du déficit revenant à chaque Canadien adulte ou enfant s'élevait à \$1,455 (contre \$1,437 l'année précédente). Cela correspondait à des dépenses fédérales de \$5,473 et à des recettes de \$4,018 par personne.

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RAPPORT FINANCIER ANNUUEL

du gouvernement du Canada

Exercice 1993-94

Le présent document constitue la première parution d'une nouvelle publication annuelle, le *Rapport financier annuel* du gouvernement du Canada. Il retrace l'évolution des recettes et des dépenses fédérales pendant l'exercice écoulé (du 1^{er} avril 1993 au 31 mars 1994) et décrit les facteurs qui ont influé sur les résultats enregistrés.

En présentant ce nouveau rapport, le gouvernement donne suite aux recommandations du vérificateur général et du Comité des comptes publics de la Chambre des communes. Ces derniers sont d'avis, et le gouvernement est tout à fait d'accord, que les Canadiens ont besoin d'obtenir plus rapidement des renseignements pertinents et intelligibles sur les activités financières de l'État. Ces renseignements sont nécessaires aux citoyens et aux citoyens du Canada pour jouer un rôle actif et efficace dans l'orientation des décisions gouvernementales.

Les données financières du présent rapport sont fondées sur les résultats vérifiés qui apparaîtront dans les Comptes publics du Canada, dont le dépôt à la Chambre des communes est prévu pour cet automne.

Le ministre des Finances,
l'honorable Paul Martin, C.P., député

Exercice 1993-94

du gouvernement du Canada

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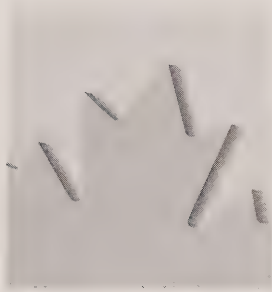
ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal year 1994-95



Canada



ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal year 1994-95

This is the second edition of the *Annual Financial Report* of the Government of Canada. It covers the government's spending and revenue performance for the past fiscal year (April 1, 1994 – March 31, 1995), and discusses the factors affecting these results.

This report responds to recommendations by the Auditor General and the House of Commons Public Accounts Committee. They felt – and the government agreed – that Canadians need more timely access to understandable, relevant information on the government's financial activity. Only with such information can Canada's citizens play an active and effective role in guiding government decision-making.

The financial data in this report are based on the audited results which will appear in the Public Accounts of Canada, scheduled for tabling in the House of Commons this fall.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance



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REPORT HIGHLIGHTS

The federal deficit for 1994-95 was \$37.5 billion. This is the shortfall between government budgetary spending of \$160.8 billion and budgetary revenues of \$123.3 billion. The deficit of \$37.5 billion was:

- \$4.5 billion lower than the 1993-94 deficit of \$42.0 billion;
- \$2.2 billion lower than the February 1994 budget deficit target for 1994-95 of \$39.7 billion;
- \$0.4 billion lower than the February 1995 budget revised estimate for 1994-95 of \$37.9 billion.

Budgetary revenues exceeded program spending – total spending less interest charges – in 1994-95, resulting in an “operating” surplus of \$4.6 billion. Operating deficits were recorded in each of the previous two fiscal years.

The decline in the deficit in 1994-95, coupled with higher net source of funds from foreign exchange transactions, resulted in both financial requirements and unmatured debt transactions being the lowest since 1981-82.

The improvement of \$2.2 billion in the 1994-95 deficit compared to the February 1994 budget target of \$39.7 billion was the result of a number of factors, including:

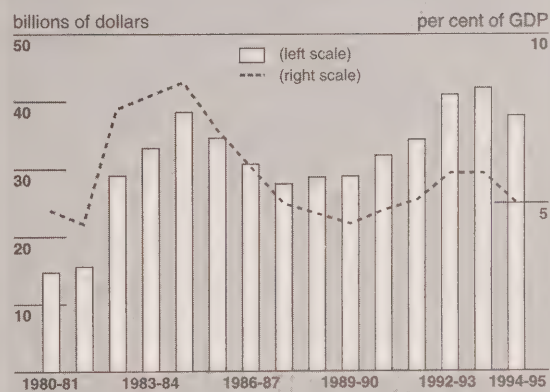
- lower program spending (down \$1.5 billion), despite the inclusion of the one-time restructuring costs associated with the February 1995 budget measures;
- the lower program spending was, however, offset by lower budgetary revenues (down \$0.6 billion) and higher public debt charges (up \$1.0 billion);
- but, in the February 1994 budget, the government set aside \$2.4 billion in a Contingency Reserve to cover the impact of adverse economic developments on the deficit. With lower program spending offsetting nearly all of the decline in revenues and higher public debt charges, most of the Contingency Reserve for 1994-95 was not required.

Table 1

Financial highlights

	1994-95	1993-94	1992-93
	(billions of dollars)		
Operating results			
Revenues	123.3	116.0	120.4
Program spending	-118.7	-120.0	-122.6
Operating balance	4.6	-4.0	-2.2
Debt charges	42.0	38.0	38.8
Deficit	37.5	42.0	41.0
Financial position			
Financial assets	37.2	35.9	35.4
Total liabilities	582.9	544.1	501.6
Accumulated deficit (Net public debt)	545.7	508.2	466.2
Financial results as % of GDP			
Deficit	5.0	5.9	5.9
Accumulated deficit	72.8	71.3	67.6

The deficit and the economy



Source: Public Accounts of Canada and Statistics Canada.

The decline in the deficit from \$42.0 billion in 1993-94 to \$37.5 billion in 1994-95, in combination with strong economic growth in 1994, resulted in a sharp drop in the deficit to economic output (GDP) ratio, from 5.9 per cent in 1993-94 to 5.0 per cent in 1994-95.

Each Canadian's share of the deficit – adults and children – was \$1,268 (down from \$1,440 the year before). This reflected government spending equal to \$5,444 per person and government revenues equal to \$4,176 from each individual.

The public debt

The 1994-95 deficit brought the federal government's net public debt – the accumulation of annual deficits and surpluses – to \$545.7 billion.

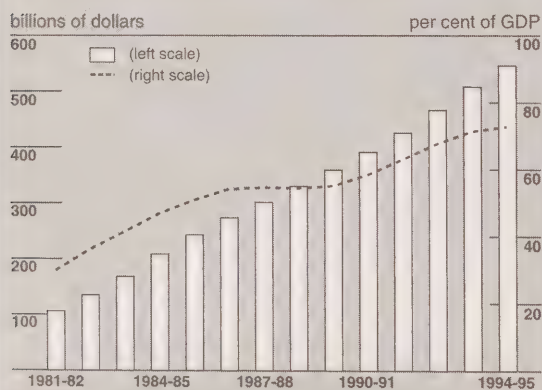
- As a share of Canada's economy, this deficit accumulation reached 72.8 per cent, up from 71.3 per cent in 1993-94. Ten years ago, the debt-to-GDP ratio was 46.8 per cent.
- On a per-person basis, the public debt at the end of 1994-95 reached \$18,477 for each and every Canadian – up from \$17,419 a year earlier.

Deficit down from 1993-94

The deficit declined by \$4.5 billion between 1993-94 and 1994-95. Revenues increased by \$7.3 billion or 6.3 per cent, while program spending declined by \$1.3 billion or 1.1 per cent. In contrast public debt charges rose by \$4.1 billion (10.7 per cent), offsetting about half of the improvement in revenues and program spending. Among the various components of budgetary revenues:

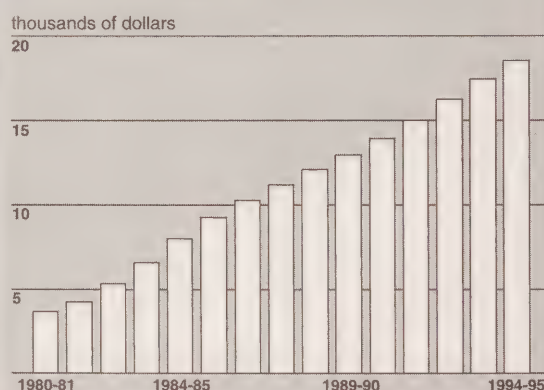
- net personal income tax collections were up \$4.9 billion (9.5 per cent), of which \$3.0 billion was due to special one-time factors, which dampened 1993-94 collections;
- corporate income tax collections increased by \$2.2 billion (22.9 per cent), reflecting strong growth in corporate profits;
- Goods and Services Tax (GST) collections were up \$1.1 billion (6.9 per cent), reflecting strength in consumer demand; while
- non-tax revenues declined \$1.0 billion (12.1 per cent), primarily due to lower Exchange Fund earnings; and
- other excise taxes and duties were down \$0.6 billion (7.7 per cent), largely due to the reduction in the tobacco excise tax announced on February 8, 1994.

Net federal debt and the economy



Source: *Public Accounts of Canada* and *Statistics Canada*.

Net debt per capita



Source: *Public Accounts of Canada* and *Statistics Canada*.

News Release

Immediate release

Ottawa, November 1, 1995
95-086

ANNUAL FINANCIAL REPORT OF THE GOVERNMENT OF CANADA RELEASED – 1994-95 DEFICIT BELOW FORECAST AT \$37.5 BILLION

Finance Minister Paul Martin today released the government's second Annual Financial Report, which provides a review of federal revenues and expenditures for the 1994-95 fiscal year.

The 1994-95 deficit was \$37.5 billion. This was:

- \$4.5 billion lower than the 1993-94 deficit of \$42.0 billion;
- \$2.2 billion lower than the February 1994 budget deficit target of \$39.7 billion;
- \$0.4 billion lower than the revised deficit estimate for 1994-95 in last February's budget.

The deficit to GDP ratio dropped sharply from 5.9 per cent in 1993-94 to 5.0 per cent in 1994-95.

"This is a marked improvement in the fiscal situation, and one which illustrates that making forecasts based on prudent assumptions will pay off," the Minister said. "This is another good news report card."

"This performance underlines the importance of setting credible, two-year rolling deficit targets and adhering to those targets. This builds the necessary credibility to strengthen confidence in our commitment to reduce the deficit to 3 per cent of GDP by 1996-97. We will meet that commitment," Mr. Martin added.

"It is encouraging to see that most key sectors contributed to the better-than-forecast performance of the economy in 1994, for the second consecutive year."

The economy broadened in 1994, with a pick up in growth in consumer spending and residential and non residential construction investment. Exports also grew to record levels in both volume (up 14.7% to \$202 billion) and value (up 20.2% to \$218 billion).



Inflation performance was also excellent, despite the depreciation of the Canadian dollar and upward pressure on import prices.

The Annual Financial Report of the Government of Canada responds to recommendations of the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts to present timely and understandable information about the government's financial situation.

Mr. Martin noted that the Auditor General has expressed his unqualified approval of the fiscal results for 1994-95 and has indicated that the report accurately summarizes the detailed Public Accounts of Canada which will be tabled in Parliament later this year.

The deficit of \$37.5 billion results from a shortfall between budgetary spending of \$160.8 billion and budgetary revenues of \$123.3 billion.

The \$4.5 billion improvement in the federal deficit between 1993-94 and 1994-95 resulted from a number of factors, including:

- revenues increased \$7.3 billion or 6.3 per cent;
- program spending, was down \$1.3 billion, or 1.1 per cent.

At the same time, public debt charges rose \$4.1 billion or 10.7 per cent, offsetting about half of the improvement in revenues and program spending. However, only \$200 million of the \$2.4 billion contingency reserve was used to cover the impact of changes in the economic environment on the deficit.

For further information:

Peter DeVries
Economic and Fiscal Policy Branch
(613) 996-7397

The decline in program spending was largely attributable to:

- lower spending on unemployment insurance benefits (down \$2.8 billion or 15.9 per cent), due to strong growth in employment and the effect of budget restructuring measures;
- lower transfers to provinces (down 3.3 per cent), primarily relating to the reduced liabilities for claims under the Stabilization program; and
- lower expenditures on Crown corporations, defence and departmental operations and capital, due to budget restraint measures.

These declines were partially offset by the impact of restructuring charges, which amounted to \$3.9 billion in 1994-95, compared to \$0.7 billion in 1993-94.

The increase in public debt charges was largely attributable to the increase in interest-bearing debt, up \$35.7 billion. The average effective interest rate on the interest-bearing debt rose from 7.5 per cent in 1993-94 to 7.7 per cent in 1994-95.

ECONOMIC DEVELOPMENTS IN 1994

The main factors affecting the financial results are variations in economic conditions, the interaction of the tax system with economic developments and the impact of budget actions.

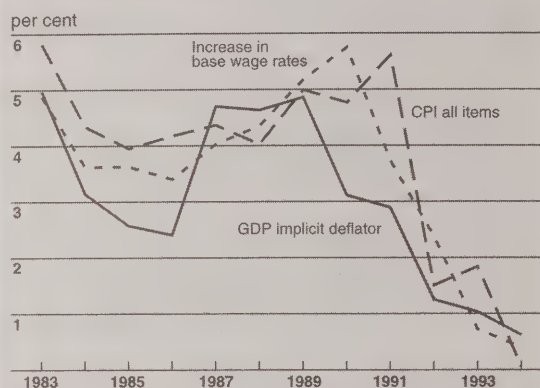
This section briefly looks at economic developments in 1994.

The economy grew at a strong pace in 1994. Real GDP – which excludes the effect of inflation – grew 4.6 per cent, following increases of 2.2 per cent in 1993 and 0.8 per cent in 1992.

In 1994, the economic expansion broadened with a pick-up in growth in consumer spending and residential and non-residential construction investment. Growth in exports and machinery and equipment investment, which had been leading the recovery, continued to be strong in 1994. Export growth was aided by the lower value of the Canadian dollar, improved cost performance of Canadian firms, and strong growth in foreign demand. The increase in exports in 1994 was the largest on record in both volume and value.

Inflation performance in 1994 was excellent, despite the ongoing depreciation of the Canadian dollar and its upward pressure on import prices. The increase in the consumer price index (CPI) in 1994 was 0.2 per cent, down from 1.8 per cent in 1993. Much of the decline was accounted for by a reduction in federal and provincial tobacco taxes

Prices and costs



Source: Statistics Canada.

early in 1994. The GDP deflator – a broader measure of inflation across all sectors of the economy – increased only 0.6 per cent in 1994, its lowest rate of increase since 1961.

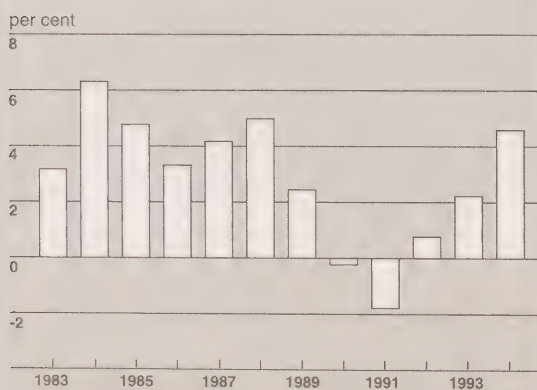
The key economic variables affecting the federal government's financial results are personal income, the unemployment rate, corporate profits, consumer demand and interest rates.

Table 2

Key economic indicators

	1994	1993
	(year-to-year per cent change unless otherwise indicated)	
Real GDP	4.6	2.2
Inflation		
CPI	0.2	1.8
GDP implicit price deflator	0.6	1.1
Nominal GDP	5.2	3.3
Personal income	2.2	1.9
Labour income	3.0	1.7
Corporate profits	36.1	20.2
Personal expenditure on goods and services	3.7	3.3
Employment	2.1	1.3
Interest rates		
3-month Treasury bill rate (%)	5.4	4.9
10-year government benchmark rate (%)	8.4	7.2

Real GDP growth



Source: Statistics Canada.

Personal income, the tax base for personal income tax collections, advanced by 2.2 per cent in 1994, up slightly from 1.9 per cent growth in 1993.

Labour income, which represents 63.4 per cent of personal income, increased by 3.0 per cent, up from 1.7 per cent in 1993. Most of the increase in labour income in 1994 resulted from higher employment, up 2.1 per cent in 1994, following growth of 1.3 per cent in 1993. As over 80 per cent of the gain in employment was due to an increase in full-time employment, average income growth was stronger in 1994 than in 1993. Expressed on a per employee basis, labour income increased by 0.9 per cent in 1994, up from only an increase of 0.3 per cent in 1993.

Among the other components of personal income, net income of unincorporated businesses advanced by 2.5 per cent, down from 7.3 per cent in 1993. Interest and investment income rose 5.4 per cent, following three annual declines, as interest rates rose during the year.

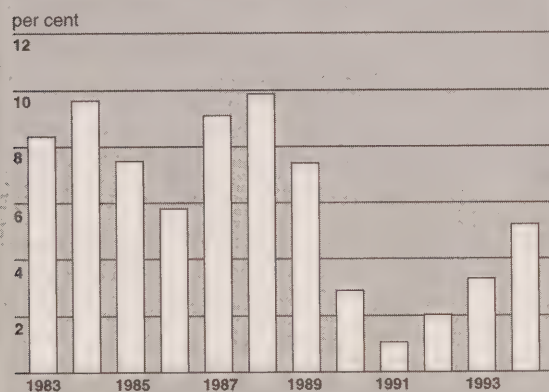
The strong employment gains in 1994 led to a substantial decline in the unemployment rate, which fell to 10.4 per cent from 11.2 per cent in 1993. This drop in the unemployment rate also reflected continued decline in the participation rate, which has yet to rebound despite the recovery in employment following the recession.

In contrast to the slow growth in personal income, corporate profits jumped 36.1 per cent in 1994, following growth of 20.2 per cent in 1993. The growth in profits reflects better cost control, advances in productivity, and higher export prices due to both rising world commodity prices and the lower Canadian dollar (which raises prices set in world markets when expressed in Canadian dollars). However, corporate profits in 1994 were still 11.3 per cent below their 1988 peak.

Personal spending on goods and services, a proxy for the applicable tax base for Goods and Service Tax and other indirect taxes, advanced by 3.7 per cent in 1994, up from the increase of 3.3 per cent reported in 1993. Spending on durable goods was up 7.5 per cent, including 9.0 per cent increase in spending on automobiles.

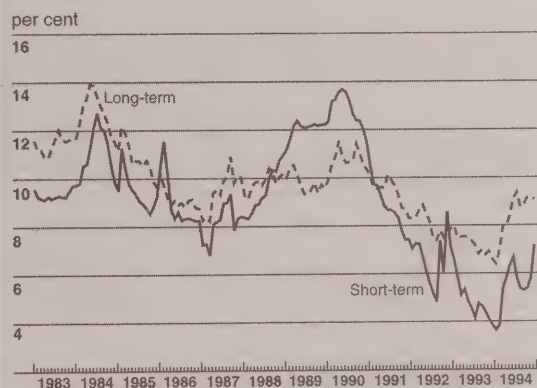
Interest rates rose throughout 1994 while the depreciation of the Canadian dollar moderated. From January to December 1994, the 3-month Treasury bill rate rose from 3.63 per cent to 7.14 per cent, and the 10-year government benchmark rate rose 268 basis points. The Canadian dollar declined 5.2 per cent relative to the U.S. dollar over the same period.

Nominal GDP growth



Source: Statistics Canada.

Interest rates



Source: Statistics Canada.

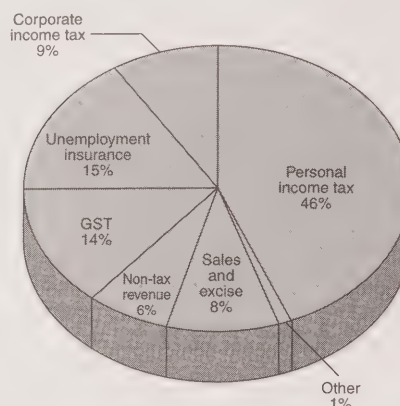
BUDGETARY REVENUES

Table 3 shows budgetary revenues on both a budget or "net" basis as well as on a "gross" basis. The results on a gross basis are often more reflective of the underlying economic developments, whereas the net figures reflect the way in which the figures are presented to Parliament. The difference primarily relates to two factors:

- certain expenditures determined through the income tax system, such as the Child Tax Benefit (which is netted from personal income tax collections) and the low-income GST Credit (which is netted from GST collections); and
- certain revenues that are credited back to departments for specific services, such as the Air Transportation Tax (which is netted from air navigation expenditures).

Budgetary revenues, on a gross basis, amounted to \$135.1 billion in 1994-95, an increase of \$6.7 billion, or 5.2 per cent, from the level reported in 1993-94. The strength in revenues in 1994-95 reflects the improvement in economic activity as well as certain extraordinary factors, which dampened revenues in 1993-94.

Net revenue for 1994-95



Source: Public Accounts of Canada.

On a net basis, budgetary revenues amounted to \$123.3 billion, an increase of \$7.3 billion, or 6.3 per cent from the 1993-94 level. The stronger growth in net collections was attributable to lower tax expenditures due to one-time transitional costs in 1993-94 associated with the restructuring of the child benefit system in 1993.

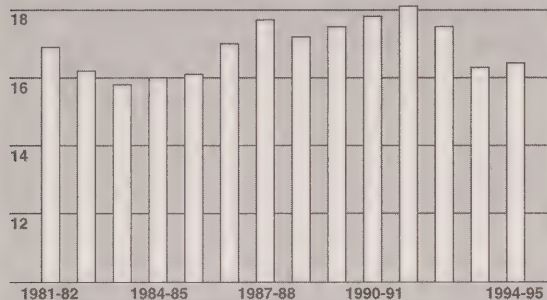
Table 3

Budgetary revenues

	1994-95		1993-94	
	Gross	Net	Gross	Net
(millions of dollars)				
Income tax collections				
Personal income tax	61,676	56,329	57,953	51,427
Corporate income tax	11,604	11,604	9,444	9,444
Other	1,769	1,769	1,593	1,593
Total income tax	75,049	69,702	68,990	62,464
Unemployment insurance premiums contributions	18,928	18,928	18,233	18,233
Excise taxes and duties				
Goods and Services Tax	19,602	16,786	18,381	15,696
Customs import duties	3,575	3,575	3,652	3,652
Energy/other	7,317	6,728	7,817	7,287
Total excise	30,494	27,089	29,850	26,635
Total tax revenue	124,471	115,719	117,073	107,332
Non-tax revenue	10,608	7,604	11,297	8,652
Total revenues	135,079	123,323	128,370	115,984

The tax bite

per cent of GDP
20



Source: Department of Finance.

As a percentage of GDP, net revenue, or the "tax bite" at 16.4 per cent, was up slightly from 1993-94. However, this is significantly lower than in previous years, largely due to the netting of the Child Tax Benefit from personal income tax collections.

The major components of budgetary revenues are:

- personal income tax collections;
- corporate income tax collections;
- other income tax collections, primarily consisting of non-resident taxes;
- unemployment insurance premiums;
- Goods and Services Tax;
- sales and excise taxes and duties, which include customs import duties, excise taxes on motive fuels, and excise taxes and duties, primarily on tobacco and tobacco products; and
- non-tax revenues, which include return on investments and other non-tax revenues.

Personal income tax collections, on a net basis, were up \$4.9 billion, or 9.5 per cent from 1993-94. The higher collections in 1994-95 reflected the improvement in economic activity as well as extraordinary factors which dampened collections in 1993-94.

These included:

- the faster processing of the 1993 tax returns in March 1994, thereby moving returns which would have been processed in the first half of the 1994-95 fiscal year into the previous fiscal year (one-time cost of \$1.2 billion);
- one-time transitional costs in 1993-94 associated with the restructuring of the child benefit system, whereby benefits are now paid on a monthly basis through the Child Tax Benefit; prior to 1994-95, part of the benefit was paid at the time of tax filing and included in refunds paid (\$1.2 billion); and
- extraordinary transfers to the Provincial Taxation Collection Account in 1993-94, due to underpayments with respect to taxation year 1993 (net \$0.6 billion).

Adjusting for these one-time factors, the underlying increase in personal income tax collections was in line with the gain in personal income.

Corporate income tax collections were up \$2.2 billion, or 22.9 per cent, in line with the growth in corporate profits.

Unemployment insurance premium contributions were up \$0.7 billion, due to somewhat higher premium rates in 1994 than in 1993, an increase in maximum insurable earnings and higher employment.

Total excise taxes and duties were up \$0.5 billion or 1.7 per cent from year earlier collections.

- Goods and Services Tax (GST) collections were up 6.9 per cent on a year-over-year basis, primarily reflecting the strong demand for consumer durables in 1994.
- Energy taxes rose 5.1 per cent, due to the pickup in economic activity in 1994.
- Customs import duties were down marginally, as the strong growth in imports in 1994 was offset by reductions in tariffs as specified under international agreements.

- However, other excise taxes and duties declined 20.4 per cent, primarily due to the impact of the reduction in the tobacco excise tax announced on February 8, 1994.

Non-tax revenues were \$1.0 billion lower, due largely to much lower Exchange Fund earnings in 1994-95 than in 1993-94.

- The earnings of the Exchange Fund Account are comprised primarily of interest on foreign currency reserves, the valuation gain or loss stemming from exchange rate developments

and net proceeds from the sale of gold. Exchange Fund earnings in 1994-95 amounted to \$1.8 billion, \$1.1 billion lower than recorded in 1993-94. The lower earnings were attributable to lower net proceeds from the sale of gold and lower valuation gains, as the Canadian dollar did not depreciate as much in 1994-95 as it did in 1993-94.

BUDGETARY EXPENDITURES

Table 4 presents budgetary expenditures on both a gross and net basis. Gross budgetary expenditures include certain expenditures that are determined through the income tax system, such as the Child Tax Benefit and Low-income GST Credit. In addition, gross expenditures excludes certain revenues which are directly related to the services being provided, which on a net basis are credited directly to the department providing the service.

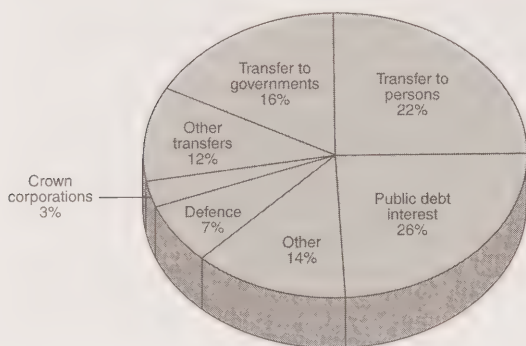
Total budgetary expenditures, on a gross basis, by the federal government amounted to \$172.5 billion in 1994-95, an increase of \$2.2 billion or 1.3 per cent from 1993-94. This increase in gross budgetary expenditures was more than accounted for by much higher spending on public debt charges (up \$4.1 billion) and certain one-time extraordinary charges (amounting to \$3.9 billion) related to the 1995 budget measures.

Table 4

Budgetary expenditures

	1994-95		1993-94	
	Gross	Net	Gross	Net
(millions of dollars)				
Transfer payments to persons				
Old age security benefits	20,143	20,511	19,578	19,903
Unemployment insurance program payments	14,815	14,815	17,626	17,626
Child Tax Benefit/Low-income GST Credit	8,137	0	9,154	0
<i>Total</i>	<i>43,096</i>	<i>35,326</i>	<i>46,358</i>	<i>37,529</i>
Transfers payment to other levels of government				
Established Programs Financing	10,177	10,177	9,610	9,610
Fiscal arrangements	9,549	9,156	11,031	10,649
Canada Assistance Plan	7,266	7,266	7,236	7,236
<i>Total</i>	<i>26,992</i>	<i>26,599</i>	<i>27,877</i>	<i>27,495</i>
Other transfer payments				
Agriculture	1,355	1,355	1,429	1,429
Indian Affairs and Northern Development	3,558	3,558	3,023	3,023
Industry Canada/Regional Agencies	2,236	2,236	1,805	1,805
Human Resources Development	2,477	2,477	2,192	2,192
Foreign Affairs	2,544	2,544	2,380	2,380
Other	7,945	7,945	7,515	7,515
<i>Total</i>	<i>20,115</i>	<i>20,115</i>	<i>18,344</i>	<i>18,344</i>
Total transfer payments	90,203	82,040	92,579	83,368
Crown corporation expenditures				
Canada Mortgage and Housing Corporation	1,987	1,987	1,945	1,945
Canadian Broadcasting Corporation	1,093	1,093	1,090	1,090
Other	2,661	1,923	2,878	2,263
<i>Total</i>	<i>5,741</i>	<i>5,003</i>	<i>5,913</i>	<i>5,298</i>
Defence				
Personnel	6,042	6,042	5,744	5,744
Capital	2,535	2,535	2,571	2,571
Other operating	2,486	2,116	3,283	2,967
<i>Total</i>	<i>11,063</i>	<i>10,693</i>	<i>11,598</i>	<i>11,282</i>
All other departmental spending				
Personnel	12,910	12,910	12,987	12,987
Capital	1,849	1,849	2,110	2,100
Other operating	8,729	6,244	7,213	4,979
<i>Total</i>	<i>23,488</i>	<i>21,003</i>	<i>22,310</i>	<i>20,066</i>
Total program expenditures	130,495	118,739	132,400	120,014
Public debt charges	42,046	42,046	37,982	37,982
Total budgetary expenditures	172,541	160,785	170,382	157,996

Total net expenditure for 1994-95



Source: *Public Accounts of Canada*.

On a net basis, budgetary expenditures amounted to \$160.8 billion, an increase of \$2.8 billion, or 1.8 per cent. The lower increase in gross expenditures was attributable to the decline in income tax expenditures in 1994-95.

As a percentage of net budgetary revenues, net budgetary expenditures, or the "expenditure ratio" stood at 130.4 per cent, down from 136.2 per cent in 1993-94. This implies that an amount of net expenditures in 1994-95 equal to 30 per cent of revenues had to be financed by borrowings.

Public debt charges increased 10.7 per cent, or by \$4.1 billion in 1994-95. Of this increase about \$3.0 billion was due to the increase in interest-bearing debt (unmatured debt and pension liabilities), up \$35.7 billion, with the remainder due to the increase in interest rates during 1994-95. The average effective interest rate on the interest-bearing debt in 1994-95 increased to 7.7 per cent, from 7.5 per cent in 1993-94.

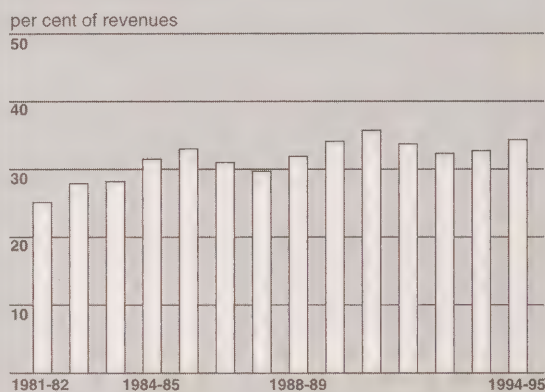
As a percentage of budgetary revenues, public debt charges rose from 32.7 per cent in 1993-94 to 34.1 per cent in 1994-95. This means that the government spent 34 cents of every revenue dollar in 1994-95 for interest on the public debt.

Net program spending – net budgetary expenditures less public debt charges – fell by \$1.3 billion in 1994-95 or by 1.1 per cent.

The decline in 1994-95 would have been larger had it not been for the inclusion of restructuring costs of \$3.9 billion associated with the February 1995 budget measures. This is the second consecutive year in which program spending has declined.

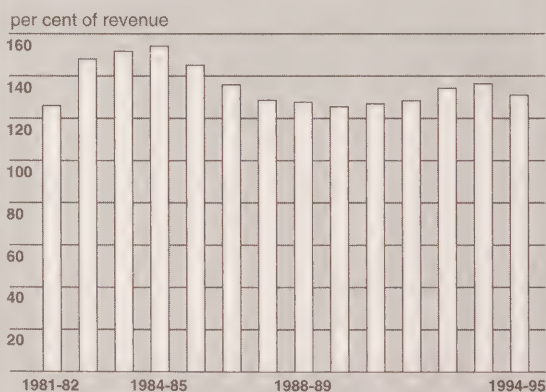
As a percentage of net revenues, program spending, or the "program share" amounted to 96.3 per cent, down from 103.5 per cent in 1993-94. This means that revenues exceeded program spending in 1994-95.

The interest bite



Source: Department of Finance.

The expenditure ratio



Source: Department of Finance.

Program spending can be divided into the following components:

- transfer payments, of which the largest portion goes to persons and to other levels of government, particularly to the provinces;
- expenditures related to certain Crown corporations;
- defence; and
- operating and capital costs of government departments and agencies, excluding defence.

The decline of \$1.3 billion in net transfer payments was largely attributable to the following:

- lower unemployment insurance benefits (down \$2.8 billion). About three-quarters of this decline was due to the improved labour market situation – the number of unemployed dropped by 157,000 in 1994-95 – with the remainder due to the structural changes announced in the December 1992 *Economic and Fiscal Statement*, and the February 1994 budget;

- lower transfer payments to provinces (down \$0.9 billion), primarily due to lower potential claims under the Stabilization program reflecting the effect of revised data.

The impact of these declines was partially offset by a one-time charge of \$1.6 billion relating to the elimination of the subsidies under the *Western Grain Transportation Act*, as announced in the 1995 budget. Under the accounting principles followed by the government, such charges must be recognized in the year in which the policy decision is made.

Among the other transfer components:

- elderly benefit payments were up \$0.6 billion, primarily reflecting increases in the eligible population;
- increased funding to Indian and Inuit programs by the Department of Indian Affairs and Northern Development (up \$0.5 billion); and
- spending by Industry Canada and the regional agencies was up \$0.4 billion, most of which was due to spending under the Canada Infrastructure Works program.

Expenditures related to Crown corporations declined \$0.3 billion. This decline was primarily due to the improved financial situation of enterprise Crown corporations in 1994-95.

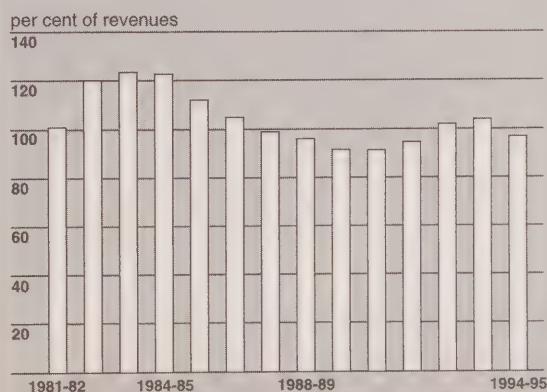
Defence spending was also down \$0.6 billion, reflecting the impact of the 1994 budget reductions.

Unemployment Insurance Account

Under the *Unemployment Insurance Act*, unemployment insurance premiums are earmarked for related expenditures, with the transactions accounted for in a special account. However, as the activities of the unemployment insurance program are similar in nature to departmental activities, unemployment insurance premiums and program costs are included as part of the federal government's revenues and expenditures. The annual activities of the unemployment insurance program, therefore, directly affect the federal government's deficit and net debt.

By the end of fiscal year 1993-94, successive deficits in the Unemployment Insurance Account had added \$6.6 billion to the federal government's net debt. In 1994-95, premium revenues exceeded program costs for the first time since fiscal year 1989-90. The unemployment insurance program generated a surplus of \$2.8 billion in 1994-95, leaving a debt of \$3.9 billion still to be repaid. The annual surplus resulted from an improvement in the labour market and the effect of structural changes announced in previous budgets.

Program share



Source: Department of Finance.

Other program spending includes the costs of government administration and specific services delivered to the public, such as:

- health care to natives and veterans;
- research undertaken by government employees;
- the operation of airports and national parks;
- collection of taxes;
- the operation of federal correctional institutions and provision of police services; and
- the delivery of programs such as elderly benefits and unemployment insurance.

Spending in this area was up by \$0.9 billion, reflecting a one-time charge of \$2.3 billion for the cost of reducing employment in the federal public service over the next three years, a key

1995 budget measure. This one-time charge was partially offset by reductions in regular personnel costs in 1994-95 relative to the previous year due to reductions in the number of employees and the ongoing effects of the salary and wage freeze.

Employment reduction costs of \$2.3 billion charged in 1994-95 include \$0.8 billion in future pension costs and \$1.5 billion in cash-based departure incentives. Incurring these costs is expected to save \$4.2 billion over the three-year program and will result in annual payroll savings of \$2.2 billion for each year thereafter. The direct cash based departure costs associated with reducing the federal public service by 45,000, which were estimated at \$1.0 billion in the 1995 budget, are now, on the basis of experience to date, estimated at \$1.5 billion.

FINANCIAL REQUIREMENTS AND DEBT

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements are lower than the deficit, as they also include the net source of funds from non-budgetary transactions. These include transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in 1994-95 resulted in a net source of funds amounting to \$11.6 billion, down slightly from 1993-94.

In addition, financial requirements also include the transactions of the Exchange Fund Account.

The purpose of the Exchange Fund Account is to promote order and stability of the Canadian dollar in the foreign exchange market. It fulfils this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

During 1994-95, foreign exchange transactions provided a net source of funds amounting to \$4.8 billion, compared to \$3.1 billion in 1993-94. The increase reflects the depreciation in the value of the Canadian dollar vis-à-vis other currencies during the course of 1994-95.

Table 5

Financial requirements and the debt

	1994-95	1993-94	1992-93
	(billions of dollars)		
Budgetary deficit	-37.5	-42.0	-41.0
Non-budgetary transactions	11.6	12.2	6.5
Foreign exchange transactions	4.8	3.1	7.7
Financial requirements	-21.0	-26.7	-26.8
Increase in unmatured debt	20.8	26.0	28.9
Change in cash balances	-0.2	-0.7	2.1

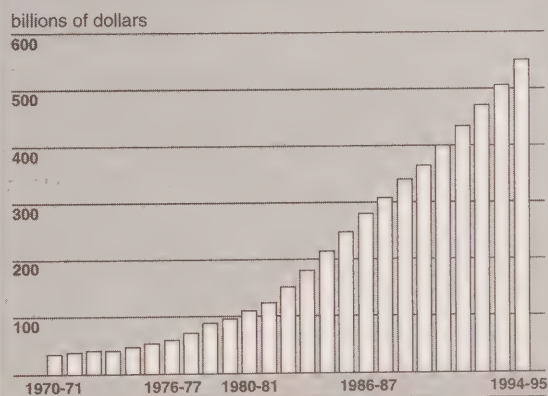
Total financial requirements – the budgetary deficit minus non-budgetary and foreign exchange transactions – were \$21.0 billion in 1994-95, down \$5.7 billion from 1993-94. This was the lowest requirement since 1981-82.

To finance these requirements, the government borrows from the private sector and/or draws down its cash reserves. Total borrowings from the private sector (unmatured debt transactions) amounted to \$20.8 billion in 1994-95, down \$5.2 billion last year, the lowest since 1981-82.

Interest-bearing debt, which includes unmatured debt and borrowings from pension and other accounts, amounted to \$550.2 billion at March 31, 1995, up \$35.7 billion from March 31, 1994. Of this amount, \$16.9 billion was payable in foreign currencies, up from \$10.7 billion in March 1994.

Foreign holdings of the Government of Canada's outstanding market debt are estimated at \$107 billion at the end of March 1995. This represented 25 per cent of the government's total market debt.

Interest-bearing debt

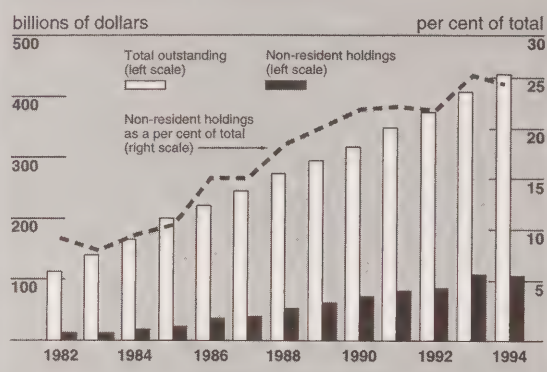


Source: Public Accounts of Canada.

Table 6

Outstanding debt at year-end

	1994-95	1993-94	1992-93
	(billions of dollars)		
Interest-bearing debt			
Unmatured debt	441.0	414.0	382.7
Pension and other accounts	109.2	100.5	94.2
Total interest-bearing debt	550.2	514.5	476.9
Other liabilities	32.7	29.6	24.6
Total liabilities (Gross debt)	582.9	544.1	501.6
Less: Financial assets	37.2	35.9	35.4
Accumulated deficit (Net debt)	545.7	508.2	466.2

Foreign holdings of Government of Canada debtSource: Bank of Canada *Review*.

THE “SCORECARD”

This section compares the actual outcome for selected economic indicators and for the financial results with the forecasts presented in the February 1994 and 1995 budgets.

In the February 1994 budget, the deficit for 1994-95 was estimated at \$39.7 billion. This was based on the assumption of relatively strong economic growth in 1994, low inflation, a moderate rise in interest rates from the early 1994 lows, and the impact of the restraint measures introduced in that budget. The economic outlook for 1994, presented in the February 1994 budget, was based on the lower end of the range of views of the economic forecasts prepared by the private sector. This reflected the advice given at a December 1993 meeting with economists that prudent economic assumptions should be used for fiscal planning. The February 1994 budget deficit target also included a Contingency Reserve of \$2.4 billion to cover risks arising from unpredictable events and unavoidable inaccuracies in the models used to translate the economic assumptions into detailed budget forecasts.

Economic growth in 1994 turned out more robust than forecast, advancing by 4.6 per cent, in large part reflecting strong demand in the United States. Inflation was somewhat lower than expected. The net impact resulted in stronger growth in nominal income – the applicable tax base for government revenues. The level of nominal income was \$11 billion higher than expected in the February 1994 budget. However, there were notable compositional shifts, which modified the overall impact of the higher level of nominal income on budgetary revenues. Labour income was \$7 billion lower than forecast in the February 1994 budget, while corporate profits were \$11.4 billion higher and capital consumption allowances were up \$5.4 billion.

Employment growth was substantially stronger than forecast in the February 1994 budget, increasing by 2.1 per cent in 1994, compared to the 1994 budget forecast of 1.4 per cent growth.

Short-term interest rates were 110 basis points and long-term rates 200 basis points above the February 1994 budget assumptions. The higher

interest rates were triggered by international developments, initially in the United States, as well as concerns over Canada's large government and external deficits.

The net effect of the economic changes on the financial outcome was positive. The lower outcome reflects a number of factors, including:

- the use of “prudent” economic assumptions for planning purposes with the result that most of the \$2.4 billion Contingency Reserve was not required;
- lower-than-expected unemployment insurance benefits, due to the stronger growth in employment;
- lower departmental operating spending, reflecting the impact of the restraint measures introduced in the February 1994 budget.

In terms of the major components of revenues and expenditures, revenues were \$0.6 billion lower than forecast in the February 1994 budget.

Personal income tax collections were \$3.2 billion lower than forecast due to the lower-than-expected growth in labour income. Corporate income tax collections were up \$1.3 billion, reflecting the strong growth in corporate profits during 1994-95. The “other” revenue component was \$1.2 billion higher than forecast due to higher Exchange Fund earnings and other non-tax revenues.

Total program spending, at \$118.7 billion, was \$1.5 billion lower than forecast in the February 1994 budget. Excluding the one-time charges associated with the 1995 budget measures, program spending would have been \$5.4 billion lower than the February 1994 budget estimate. Among the components, major transfers to persons were \$3.6 billion lower than forecast, virtually all of which was attributable to lower unemployment insurance benefits, reflecting the improved labour market conditions throughout 1994. Major transfers to other government were up slightly. The higher “other” transfer payments were due to the inclusion of the one-time charge of \$1.6 billion related to the elimination of the

subsidies under the *Western Grain Transportation Act*. Restructuring charges associated with personnel downsizing explain the increase in other departmental spending.

Public debt charges were \$1.0 billion higher than forecast in the February 1994 budget, due to the higher outturn for interest rates. The overall effect of the increase in interest rates on the fiscal outcome was somewhat muted. This is because the increase in the short-term interest rates was less than the increase in long-term rates, and in the

short run, it is the short-term rates that matter the most. In addition, financing requirements for 1994-95 were less than originally anticipated. Finally, the largest share of government borrowing occurs during the first quarter of the fiscal year. Interest rates were relatively lower in the first quarter than over the balance of the fiscal year.

In the February 1995 budget, the deficit was revised down to \$37.9 billion. The final outcome is consistent with that estimate, although there are some differences among components.

Table 7

The scorecard

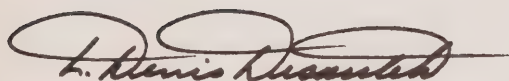
	Actual	1994 budget (forecast)	1995 budget (estimate)
		(per cent)	
Economic indicators			
Real GDP	4.6	3.0	4.3
Inflation			
CPI	0.2	0.8	0.2
GDP deflator	0.6	0.9	0.6
Nominal GDP	5.2	3.9	4.9
Interest rates			
91-day Treasury bill rate	5.4	4.3	5.5
10-year government bond rate	8.4	6.4	8.4
Financial results			
		(billions of dollars)	
Budgetary revenues			
Personal income tax	56.3	59.5	56.8
Corporate income tax	11.6	10.3	13.0
Unemployment insurance premium	18.9	19.3	18.9
Goods and Services Tax	16.8	16.5	16.6
Sales and excise taxes/duties	10.3	10.1	10.5
Other revenues	9.4	8.2	9.2
<i>Total</i>	<i>123.3</i>	<i>123.9</i>	<i>125.0</i>
Program spending			
Major transfers to persons	35.3	38.9	35.9
Major transfers to other levels of government	26.6	26.3	26.9
Other transfers	20.1	19.1	19.2
Crown corporations expenditures	5.0	4.6	4.8
Defence	10.7	10.8	10.8
Other departmental spending	21.0	20.5	23.2
<i>Total</i>	<i>118.7</i>	<i>120.2</i>	<i>120.9</i>
Public debt charges	42.0	41.0	42.0
Contingency reserve	0.0	2.4	0.0
Deficit	37.5	39.7	37.9
Non-budgetary transactions	11.6	9.5	11.9
Financial requirements (excluding foreign exchange transactions)	25.8	30.2	26.0

OPINION OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance:

I have audited, in accordance with generally accepted auditing standards, the statement of assets and liabilities of the Government of Canada as at March 31, 1995 and the statements of revenues and expenditures, accumulated deficit, changes in financial position and transactions for the year then ended. In my report to the House of Commons dated July 24, 1995, I expressed an unqualified opinion on those financial statements. My audit report and the financial statements will be included in Volume I of the 1995 *Public Accounts of Canada* which is expected to be tabled in the House of Commons later this year.

In my opinion, the accompanying condensed financial statements of revenues and expenditures, assets and liabilities, and changes in financial position fairly summarize, in all material respects, the related information contained in the full financial statements from which they have been derived.



L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 24, 1995

PREFACE TO THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide an overview to Parliament, and thus to the public, to facilitate an understanding of the full nature and extent of the financial affairs and resources for which the government is responsible. Responsibility for the integrity and objectivity of these statements rests with the government.

The condensed financial statements reflect the financial position of the government at the end of the year, as well as its results of operations,

deficit, financial requirements and changes in financial position for the year. These financial statements and the accompanying notes are extracted and summarized from the audited financial statements. The audited financial statements are included in Section 1 of Volume I of the 1995 Public Accounts of Canada, which are expected to be tabled in Parliament later this year. These condensed financial statements were prepared by the Government of Canada in accordance with the accounting policies set out in the accompanying notes.

Table 8

Government of Canada Condensed statement of revenues and expenditures for the year ended March 31, 1995

	1995	1994
	(millions of dollars)	
Revenues⁽¹⁾		
Gross tax revenues		
Income tax	75,049	68,990
Excise taxes and duties	30,494	29,850
Unemployment insurance premiums	18,928	18,233
	<u>124,471</u>	<u>117,073</u>
Gross non-tax revenues	10,608	11,297
Total gross revenues	135,079	128,370
Amounts deducted to arrive at net revenues	11,756	12,386
Total net revenues	123,323	115,984
Expenditures		
Gross transfer payments		
Old age security and related payments	20,143	19,578
Unemployment insurance benefits	14,815	17,626
Payments to other levels of government	25,510	26,273
Other transfer payments	29,735	29,102
	<u>90,203</u>	<u>92,579</u>
Gross Crown corporations expenditures	5,741	5,913
Other gross program expenditures	34,551	33,908
Total gross program expenditures	130,495	132,400
Amounts deducted to arrive at net program expenditures	11,756	12,386
Total net program expenditures	118,739	120,014
Interest on debt	42,046	37,982
Total net expenditures	160,785	157,996
Deficit for the year	37,462	42,012
Accumulated deficit		
Beginning of year	508,210	466,198
End of year	545,672	508,210

⁽¹⁾ Detailed amounts on this statement are reported on a gross basis; see *Reporting of revenue and expenditure on a gross basis*, (page 22) for explanation.

Table 9

Government of Canada
Condensed statement of assets and liabilities
as of March 31, 1995

	1995	1994
	(millions of dollars)	
Liabilities		
Current liabilities and allowances		
Accounts payable and accruals	23,221	21,111
Allowances for guarantees and employee benefits	9,450	8,485
	32,671	29,596
Interest-bearing debt		
Pension and other accounts		
Public sector pensions	101,033	94,097
Canada Pension Plan (net of securities)	3,406	2,728
Other	4,755	3,710
	109,194	100,535
Unmatured debt		
Marketable bonds	225,679	203,392
Treasury bills	164,450	166,000
Canada Savings Bonds	30,460	30,418
Bonds for Canada Pension Plan	3,488	3,497
Total payable in Canadian currency	424,077	403,307
Payable in foreign currencies	16,921	10,668
	440,998	413,975
Total interest-bearing debt	550,192	514,510
Total liabilities	582,863	544,106
Assets		
Current assets		
Cash	1,383	1,435
Accounts receivable (net of allowance for doubtful accounts)	4,353	4,496
	5,736	5,931
Foreign exchange accounts including gold	14,350	12,925
Loans, investments and advances		
Enterprise Crown corporations	18,218	19,283
Other	13,787	13,757
	32,005	33,040
Less: Allowance for valuation	14,900	16,000
	17,105	17,040
Total assets	37,191	35,896
Accumulated deficit	545,672	508,210

Notes to Government of Canada
condensed financial statements

Introduction

These notes are a brief summary of the accounting policies followed by the Government of Canada and other explanatory material related to the condensed financial statements. For more detailed notes on accounting policies and for more extensive information on the financial position and results of operations of the government, the reader is referred to the audited financial statements in Section 1 of Volume I of the 1995 Public Accounts of Canada.

Significant accounting policies

Reporting entity

The Government of Canada as a reporting entity includes the financial activities of all departments, agencies, corporations and funds which are owned or controlled by the government and which are accountable to Parliament, except for the Canada Pension Plan and enterprise Crown corporations. The Canada Pension Plan, which is under joint control of the government and participating provinces, is financed from contributions by employees, their employers, and self-employed persons, and interest earned on investments which are mainly in provincial government securities.

Table 10

Government of Canada
Condensed statement of changes in financial position
for the year ended March 31, 1995

	1995	1994
	(millions of dollars)	
Cash requirements for:		
Operating activities		
Deficit for the year	37,462	42,012
Less: Expenditures not requiring cash	12,146	13,801
	25,316	28,211
Net payments from pension and other accounts	2,033	3,435
Net change in current assets and liabilities	(664)	(1,505)
<i>Cash required for operating activities</i>	26,685	30,141
Investing activities		
Net (decrease) increase in loans, investments and advances	(1,035)	114
Net increase in foreign exchange accounts	1,425	2,128
<i>Cash required for investing activities</i>	390	2,242
Total cash requirements	27,075	32,383
Financed by:		
Net increase in borrowings		
Canadian currency	20,770	25,975
Foreign currencies	6,253	5,259
	27,023	31,234
Net change in cash	(52)	(1,149)
Cash at beginning of year	1,435	2,584
Cash at end of year	1,383	1,435

Enterprise Crown corporations, which are reported as investments, are not dependent on the government for financing their activities.

Basis of accounting

In general, the government accounts for transactions on an accrual basis with two notable exceptions:

- Tax revenues and related refunds are generally accounted for on a cash basis (when taxes are collected and refunds are paid out respectively), except for certain significant refunds which are reported on an accrual basis.
- Capital assets and inventories are fully charged to expenditures at the time of acquisition or construction.

As a consequence, the only assets recorded on the Condensed Statement of Assets and Liabilities are financial claims, as they can

provide resources to discharge liabilities or finance future operations. These assets include cash, gold, receivables, as well as loans, investments and advances. Assets are recorded at the lower of cost or net expected realizable value, except for gold (1995 – 3.9 million ounces at \$76.42 per ounce; 1994 – 5.6 million ounces at \$68.40 per ounce), which is valued at its approximate cost in foreign currency terms.

Liabilities are generally recorded on an accrual basis. Public sector pension and severance liabilities are determined on an actuarial basis. Allowances are established for outstanding loan guarantees, concessionary and sovereign loans, and other obligations. Unmatured debt is recorded at face value with foreign currency amounts translated to Canadian dollar equivalents using rates at March 31.

Reporting of revenues and expenditures on a gross basis

Detailed amounts on the Condensed Statement of Revenues and Expenditures are presented on a full (gross) basis only. Gross revenues include revenues of consolidated Crown corporations, and revenues of government departments which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditures include expenditures determined through the tax system, such as child tax benefits payments and quarterly GST tax credits, that are deducted from revenues on the net basis. The Statement of Revenues and Expenditures in the audited financial statements in Section 1 of Volume I of the Public Accounts of Canada presents detailed amounts on both a gross and net basis.

Authorities for transactions

Authority of Parliament is required before revenue can be raised and moneys spent or borrowed by the government. Spending authorities on a net basis granted by Parliament were \$164.6 billion (\$161.0 billion in 1994), whereas \$160.8 billion (\$158.0 billion in 1994) was spent. Of the total borrowing authority of \$34.3 billion (\$44.3 billion in 1994), \$26.9 billion (\$30.8 billion in 1994) was used.

Public sector pensions

Separate funds are not set aside to provide for payment of pension benefits to government employees, Members of Parliament, the Canadian Forces, the RCMP, and judges. Pension liabilities are estimated annually using the government's best estimates for demographic and economic assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of these liabilities.

Significant liabilities

Some significant transactions were recorded as liabilities of the government during the year. Transactions recorded were \$2.3 billion for the restructuring of the Public Service (of which \$0.8 billion was included as Public sector pensions) to reduce employment over the next three years, and \$1.6 billion for payments as a

result of the elimination of transportation subsidies for western grain. As well, \$0.7 billion was recorded for the estimated present value of subsidy payments relating to the construction of a bridge between the provinces of New Brunswick and Prince Edward Island (known as the P.E.I. Fixed Link), but this was offset by including the same amount as a deferred subsidy under loans.

Contractual commitments

The nature of the government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditure. Contractual commitments pertain to transfer payment agreements, fixed asset acquisitions, other purchases, operating and capital leases, funding of international organizations, and benefit plans for veterans. At March 31, 1995 contractual commitments amounted to approximately \$28.9 billion (\$31.8 billion in 1994). Estimated annual payments related to these commitments for the next five years decrease from \$7.5 billion in 1996 to \$3.7 billion in the year 2000.

Insurance programs

Three enterprise Crown corporations – Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Corporation – operate insurance programs for the government. These programs are intended to be self-sustaining, but in the event that the corporations have insufficient funds, the government will have to provide financing. Insurance in force at March 31, 1995 amounted to approximately \$435 billion (\$402 billion in 1994). The government expects that it will incur no costs to cover the costs of any claims for these insurance programs.

Contingent liabilities

The contingent liabilities of the government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. At such time they may become actual liabilities and if so they are recorded in the accounts of Canada. An exception is made for losses on loan guarantees, including those in

respect of borrowings of enterprise Crown corporations, which are recorded as actual liabilities when it is likely that a future payment will be made and the amount of the loss can be reasonably determined.

Contingent liabilities result from the exercise of guarantees; environmental contingencies; callable share capital and lines of credit in international

organizations; claims; and pending and threatened litigation related to aboriginal land claims and treaty obligations; and like items. At March 31, 1995, these contingent liabilities amounted to approximately \$64.2 billion (\$54.8 billion in 1994), of which \$5.5 billion (\$4.9 billion in 1994) related to loan guarantees recorded as liabilities in the financial statements.

Other sources of information

The Public Accounts of Canada

The Public Accounts of Canada, as required under Section 64(1) of the Financial Administration Act, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the government's audited financial statements and supporting schedules and information;
- Volume II contains details of financial operations by Ministry (Part I) and additional information and analyses (Part II).

The Budget

The Budget that is introduced, usually in February, presents the government's overall fiscal plan, incorporating revenue projections and spending plans which combine to determine the resulting budgetary deficit. The Budget also introduces proposals for changes in taxation.

The Estimates

The Estimates are the detailed annual expenditure plans submitted to Parliament each spring. The estimates are presented in three parts:

- Part I presents an overview of the government expenditure plan;
- Part II outlines spending according to departments, agencies and programs;
- Part III provides additional detail on each department and its programs.

The Debt Operations Report

This annual document provides an overview of the federal government's borrowing operations. It outlines the key elements of current federal debt strategy and describes various strategic and operational aspects of the government's debt program and cash management activities over the past fiscal year.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the government together with the reasons underlying major variances.

SUPPLEMENTARY FINANCIAL INFORMATION

Table 11

Government of Canada
Public Accounts presentation
Summary statement of transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
Budgetary transactions										
Revenue	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323
Expenditure	-111,528	-116,673	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785
Deficit	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462
Non-budgetary transactions										
Loans, investments and advances	27	1,335	1,127	897	995	291	-233	592	581	-65
Specified purpose accounts	5,413	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659
Other transactions	-1,355	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026
Net source	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620
Financial requirements (excluding foreign exchange transactions)	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842
Foreign exchange transactions	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828
Total financial requirements⁽¹⁾	-24,884	-29,308	-25,998	-28,154	-21,227	-29,433	-30,859	-26,784	-26,719	-21,014
Unmatured debt transactions	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975	20,770
Change in cash⁽²⁾	-1,114	-126	-3,085	300	-321	1,057	-1,795	2,107	-744	-244
Cash balance at end of year	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893

(1) Cash requirements (-).

(2) Cash decrease (-).

Table 12

Government of Canada
Public Accounts presentation
Detailed statement of revenue transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
BUDGETARY TRANSACTIONS										
Revenue										
Tax revenue										
Income tax:										
Personal	33,008	37,878	45,125	46,026	51,895	57,601	61,222	58,283	51,427	56,329
Corporation	9,210	9,885	10,878	11,730	13,021	11,726	9,359	7,206	9,444	11,604
Other income tax	1,179	1,499	1,369	1,843	1,587	1,651	1,534	1,462	1,593	1,769
	43,397	49,262	57,372	59,599	66,503	70,978	72,115	66,951	62,464	69,702
Unemployment insurance premiums	8,719	9,558	10,425	11,268	10,738	12,707	15,394	17,535	18,233	18,928
Excise taxes and duties:										
Goods and Services Tax	9,345	11,972	12,927	15,645	17,672	12,635	15,168	14,868	15,696	16,786
Sales tax	3,971	4,187	4,385	4,521	4,587	4,001	-1,969	-139	-62	-92
Customs import duties	3,348	1,965	2,603	2,646	2,471	3,192	3,999	3,811	3,652	3,575
Energy taxes	2,827	2,925	3,026	2,959	3,425	3,711	3,441	3,437	3,640	3,824
Other	19,491	21,049	22,941	25,771	28,155	26,113	4,557	4,103	3,709	2,996
	71,607	79,869	90,738	96,638	105,396	109,798	25,196	26,080	26,635	27,089
Total tax revenue							112,705	110,566	107,332	115,719
Non-tax revenue										
Return on investments:										
Bank of Canada	1,856	1,971	1,871	1,938	2,239	2,809	1,844	1,806	1,452	1,571
Canada Mortgage and Housing Corporation	892	866	853	845	822	772	753	800	719	706
Farm Credit Corporation	386	354	326	301	239	230	215	226	211	199
Exchange Fund Account	(505)	366	752	1,658	1,661	2,258	2,900	3,209	2,916	1,816
Interest on bank deposits	278	219	279	256	278	285	192	169	128	155
Other return on investments	754	479	656	549	611	453	617	628	716	574
	3,661	4,255	4,737	5,547	5,850	6,807	6,521	6,838	6,142	5,021
Other non-tax revenue	1,665	1,807	2,137	1,882	2,461	2,748	2,806	2,976	2,510	2,583
Total non-tax revenue	5,326	6,062	6,874	7,429	8,311	9,555	9,327	9,814	8,652	7,604
Total net revenue	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323

Table 13

Government of Canada
Public Accounts presentation
Detailed statement of expenditure transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
BUDGETARY TRANSACTIONS										
Expenditure										
Transfer payments:										
Old age security benefits, guaranteed income supplements and spouses' allowances	12,525	13,445	14,349	15,202	16,154	17,131	18,393	19,106	19,903	20,511
Unemployment insurance benefits	10,036	10,444	10,487	10,972	11,694	14,665	18,126	19,065	17,626	14,815
Family allowances	2,501	2,534	2,564	2,606	2,653	2,736	2,821	2,194	7	
Fiscal arrangements	5,941	6,302	7,007	8,127	8,653	8,280	8,854	7,591	9,045	7,674
Insurance and medical care services	6,400	6,607	6,558	6,678	6,663	6,033	6,689	8,307	7,232	7,691
Canada Assistance Plan	3,916	4,051	4,246	4,556	5,006	5,788	6,099	6,686	7,236	7,266
Education support	2,277	2,232	2,242	2,227	2,166	1,862	2,142	2,887	2,378	2,486
Other transfer payments	15,387	15,291	17,436	17,535	17,139	16,607	18,829	19,624	19,941	21,597
	58,983	60,906	64,889	67,903	70,128	73,102	81,953	85,460	83,368	82,040
Crown corporations expenditures	4,479	4,936	5,872	5,572	5,237	5,713	5,252	6,219	5,298	5,003
Operating and capital expenditures:										
National Defence	8,937	9,788	10,554	10,761	11,217	11,518	10,901	10,939	11,282	10,693
All other departments and agencies	13,707	14,375	15,138	15,452	17,266	18,432	17,109	19,958	20,066	21,003
	22,644	24,163	25,692	26,213	28,483	29,950	28,010	30,897	31,348	31,696
<i>Total program spending</i>	86,106	90,005	96,453	99,688	103,848	108,765	115,215	122,576	120,014	118,739
Public debt charges	25,422	26,668	28,953	33,152	38,789	42,588	41,174	38,825	37,982	42,046
Total net expenditure	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785

Table 14

**Government of Canada
Public Accounts presentation
Detailed statement of non-budgetary transactions**

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
NON-BUDGETARY TRANSACTIONS										
Loans, investments and advances										
Enterprise Crown corporations:										
Canada Deposit Insurance Corporation	-895	-268	-131	-361	320	150	-560	-1,300	-66	991
Canada Mortgage and Housing Corporation	195	254	234	273	201	194	65	238	105	240
Canadian National Railway Company	9	352	29	12	12	13	15	16	17	19
Export Development Corporation	64	49	55	25	-75	-16	-159	71	-25	-38
Farm Credit Corporation	214	591	-179	230	104	-82	-10	-412	-68	-35
Federal Business Development Bank	119	93	51	555	-2	-9	-73	-297	-112	-112
Other	177	-241	1,391	734	560	250	-722	-1,387	260	1,065
Total enterprise Crown corporations	-117	830	1,450							
Other loans, investments and advances:										
Provincial and territorial governments	110	89	37	28	-140	86	118	268	-25	235
National governments including developing countries	-142	124	81	132	696	19	-59	152	-52	152
International organizations (subscriptions less notes)	-220	46	15	-24	-70	-37	-105	-197	-236	-185
Joint and mixed enterprises	-61	237	319	36	362	88	-86	495	-61	-232
Miscellaneous	171	60	-93	-418	142	-88	-132	270	-374	-30
Allowance for valuation	-142	556	359	-246	990	-20	621	1,709	695	-1,100
Total loans, investments and advances after allowance for valuation	27	1,335	1,127	897	995	291	-233	592	581	-65
Pension and other accounts										
Liability accounts:										
Canada Pension Plan (net)	271	205	306	256	422	497	-278	-342	-111	678
Pension liability (net)	4,682	4,998	5,425	5,825	6,385	6,511	5,742	6,030	6,186	6,936
Other	460	68	-15	-464	-21	22	260	309	167	1,045
Total pension and other accounts	5,413	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659

Table 14 (cont'd)
Government of Canada
Public Accounts presentation
Detailed statement of non-budgetary transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
Other transactions										
Accounts receivable	-74	-121	-127	-319	-264	-744	-1,043	239	27	-412
Outstanding cheques and warrants	-489	-64	-147	-354	177	1,476	-1,327	533	787	-264
Cash in transit	189	225	-854	235	52	-161	-706	-29	-382	72
Provincial tax collection agreements account	-227	57	1,050	-731	-368	-813	-241	-747	-151	870
Other liabilities	-754	1,121	2,180	1,004	1,022	383	383	-61	5,058	2,760
Total other transactions	-1,355	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026
Net non-budgetary transactions after allowance for valuation	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620

Source/requirement (-)

Table 15

Government of Canada
Public Accounts presentation

Detailed statement of foreign exchange, unmatured debt and cash transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
FOREIGN EXCHANGE TRANSACTIONS										
International reserves held in the Exchange Fund Account	752	-4,753	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277	-1,200
International Monetary Fund – Subscriptions	-685	-266	-102	504	60	-91	-232	-2,802	-844	-990
	67	-5,019	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121	-2,190
Less: International Monetary Fund – Notes payable	-637	-359	-208	495	126	5	-275	-2,181	-841	-586
Special Drawing Rights allocations	-182	-70	-27	134	15	-23	-62	-100	-152	-179
	-819	-429	-235	629	141	-18	-337	-2,281	-993	-765
Unmatured debt transactions payable in foreign currencies	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253
Total foreign exchange	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828
UNMATURED DEBT TRANSACTIONS										
Marketable bonds	15,447	13,512	9,787	10,951	10,575	15,404	14,499	19,781	27,142	25,142
Treasury bills	9,650	15,000	4,100	21,650	15,850	20,600	13,150	9,750	3,950	-1,550
Canada Savings Bonds	2,312	-703	8,786	-5,693	-6,812	-6,482	1,339	-1,224	-2,947	43
Bonds issued for the Canada Pension Plan Investment Fund	240	1,351	696	513	67	420	9	4	-8	-9
Notes and loans	861	-2,823	-1,171	-2,015	-1,734	-163	-7	-7	-	-
Canada bills		1,045		86	315	-438	-1,008	2,552	3,097	3,397
	28,510	27,382	22,198	25,492	18,261	29,341	27,982	30,856	31,234	27,023
Less: Unmatured debt transactions payable in foreign currencies	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253
Total unmatured debt transactions payable in Canadian currency	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975	20,770
CASH IN BANK AT END OF YEAR										
In Canadian currency	4,566	4,479	1,381	1,708	1,369	2,459	677	2,774	2,032	1,817
In foreign currencies	178	139	152	125	143	110	97	107	105	76
Total	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893

Source/requirement (-)

Table 16

Government of Canada
Public Accounts presentation
Comparative statement of financial assets and liabilities

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
FINANCIAL ASSETS										
Current assets										
Cash in bank	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893
Cash in transit	1,693	1,468	2,322	2,087	2,035	2,196	2,902	2,931	3,313	3,241
	6,437	6,086	3,855	3,920	3,547	4,765	3,676	5,812	5,450	5,134
Less: outstanding cheques and warrants	2,934	2,870	2,723	2,369	2,546	4,022	2,695	3,228	4,015	3,751
Total cash	3,503	3,216	1,132	1,551	1,001	743	981	2,584	1,435	1,383
Accounts receivable	1,590	1,711	1,838	2,157	2,421	3,165	4,208	4,372	4,496	4,353
Total current assets	5,093	4,927	2,970	3,708	3,422	3,908	5,189	6,956	5,931	5,736
Foreign exchange accounts										
International reserves held in the Exchange Fund Account	3,459	8,212	14,779	17,422	15,393	19,066	17,148	10,879	13,156	14,356
International Monetary Fund – Subscriptions	4,670	4,936	5,038	4,534	4,474	4,565	4,797	7,599	8,443	9,433
Less: International Monetary Fund – Notes payable and Special Drawing Rights allocations	5,151	5,580	5,815	5,186	5,045	5,063	5,400	7,681	8,674	9,439
Total net foreign exchange accounts	2,978	7,568	14,002	16,770	14,822	18,568	16,545	10,797	12,925	14,350
Loans, investments and advances										
Enterprise Crown corporations	21,252	20,422	18,972	18,238	17,678	17,428	18,150	19,543	19,283	18,218
Joint and mixed enterprises	5,520	5,283	4,964	4,928	4,461	4,461	4,461	4,374	4,374	4,374
National governments including developing countries	4,529	4,404	4,323	4,191	3,495	3,476	3,535	3,382	3,434	3,282
International organizations (net of notes)	2,751	2,705	2,690	2,714	2,784	2,821	2,926	3,124	3,360	3,545
Provincial and territorial governments	1,037	948	911	883	1,023	937	819	1,086	1,111	876
Other	1,329	1,270	1,363	1,781	1,744	1,832	1,918	1,417	1,478	1,710
	36,418	35,032	33,223	32,735	31,185	30,955	31,809	32,926	33,040	32,005
Less: Allowance for valuation	13,793	13,742	13,060	13,469	12,914	12,975	13,596	15,305	16,000	14,900
Total loans, investments and advances	22,625	21,290	20,163	19,266	18,271	17,980	18,213	17,621	17,040	17,105
Total assets	30,696	33,785	37,135	39,744	36,515	40,456	39,947	35,374	35,896	37,191

Table 16 (cont'd)
Government of Canada
Public Accounts presentation
Comparative statement of financial assets and liabilities

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
LIABILITIES										
Current liabilities and allowances										
Accounts payable and accrued liabilities	7,014	7,486	9,441	10,113	11,348	11,192	11,297	10,832	14,646	18,390
Interest and matured debt	8,592	8,583	9,043	6,549	5,683	5,489	6,576	5,866	6,465	4,831
Allowance for employee benefits	2,050	2,350	2,500	4,300	4,200	3,950	3,050	3,285	3,555	3,910
Allowance for loan guarantees and borrowings of Crown corporations	2,240	2,655	3,320	3,615	4,000	4,170	4,020	4,555	4,930	5,540
Total current liabilities and allowances	19,896	21,074	24,304	24,577	25,231	24,801	24,943	24,538	29,596	32,671
Interest-bearing debt										
Unmatured debt -										
Payable in Canadian currency:										
Marketable bonds	80,883	94,416	103,748	115,732	127,532	143,485	158,051	178,412	203,392	225,679
Treasury bills	61,950	76,950	81,050	102,700	118,550	139,150	152,300	162,050	166,000	164,450
Canada saving bonds	44,154	43,452	52,237	46,544	39,733	33,250	34,589	33,365	30,418	30,460
Bonds for the										
Canada Pension Plan	445	1,796	2,492	3,005	3,072	3,492	3,501	3,505	3,497	3,488
	187,432	216,614	239,527	267,981	288,887	319,377	348,441	377,332	403,307	424,077
Payable in foreign currencies	13,797	11,997	11,282	8,320	5,675	4,526	3,444	5,409	10,668	16,921
	201,229	228,611	250,809	276,301	294,562	323,903	351,885	382,741	413,975	440,998
Pension and other accounts										
Public sector pensions	46,994	51,992	57,417	63,241	69,626	76,139	81,881	87,911	94,097	101,033
Canada Pension Plan	1,773	1,978	2,284	2,540	2,962	3,459	3,181	2,839	2,728	3,406
Other	3,385	3,453	3,438	2,975	2,954	2,974	3,234	3,543	3,710	4,755
	52,152	57,423	63,139	68,756	75,542	82,572	88,296	94,293	100,535	109,194
Total interest-bearing debt	253,381	286,034	313,948	345,057	370,104	406,475	440,181	477,034	514,510	550,192
Total liabilities	273,277	307,108	338,252	369,634	395,335	432,276	465,124	501,572	544,106	582,863
ACCUMULATED DEFICIT	242,581	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672

NATIONAL ACCOUNTS PRESENTATION

There are three basic measures of the federal fiscal position in Canada – the public accounts deficit, financial requirements, and the national accounts deficit. This section explains the differences between the three measures and presents a reconciliation between the public accounts and the national accounts.

Differences in the measures arise because the accounting frameworks are designed for different purposes. The purpose of the **public accounts** is to record revenues, expenditures, assets and liabilities in order to permit parliamentary control of public funds into and out of the Consolidated Revenue Fund. The difference between annual budgetary revenues and expenditures is the budgetary deficit or surplus for the year, and the accumulation of the annual deficits (and surpluses) since Confederation is the net public debt.

Financial requirements (excluding foreign exchange transactions) correspond to the public accounts deficit plus non-budgetary transactions such as loans and advances, specified purpose accounts and certain other financial transactions. The main difference between the public accounts and financial requirements stems from the non-budgetary transactions of the government employees' superannuation accounts. Financial requirements measure the net financial impact on all budgetary and non-budgetary operations. This measure is the closest counterpart in Canada to the deficit measures most commonly used in both the United States and United Kingdom. It approximates the net direct impact of the federal government's borrowing activities on the capital markets.

By comparison, the primary objective of the **national accounts** is to measure economic production and national income. Thus the government sector is treated on the same basis as other sectors of the economy, such as the personal, business and foreign sectors. The objective of measuring economic activity means that certain transactions are recorded on an accrual basis in order to measure when revenues and expenditures are incurred. International comparisons of government budget balances by organizations, such as the United Nations, the Organization for Economic Co-operation and Development, and the International Monetary Fund, are typically based on the national accounts framework. The national accounts also provide a consistent framework for aggregation and comparisons of the fiscal positions of the various levels of government in Canada.

While the three measures are derived with different purposes in mind, each provides important complementary perspectives on the government's fiscal position. Although the levels are different, the trends are broadly similar. Financial requirements and the national accounts deficit are considerably lower than the public accounts budgetary deficit, reflecting the inclusion of the net surplus of the federal government's employees' pension funds.

Table 17

Government of Canada
National Accounts presentation
Detailed statement of revenue and expenditure transactions

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
(millions of dollars)										
NATIONAL ACCOUNTS TRANSACTIONS⁽¹⁾										
Revenue										
Direct taxes:										
Persons	44,218	50,110	56,688	58,872	65,350	74,742	79,671	79,965	76,058	82,621
Corporations	11,418	10,357	11,968	12,503	12,409	11,215	10,220	10,103	10,132	12,492
Non-residents	1,192	1,448	1,418	1,808	1,421	1,589	1,617	1,493	1,685	1,665
<i>Total direct taxes</i>	<i>56,828</i>	<i>61,915</i>	<i>70,074</i>	<i>73,183</i>	<i>79,180</i>	<i>87,546</i>	<i>91,508</i>	<i>91,561</i>	<i>87,875</i>	<i>96,778</i>
Indirect taxes	18,708	21,812	24,254	26,362	29,348	26,271	30,963	30,556	30,619	30,444
Other current transfers from persons	24	23	25	28	32	36	44	68	48	48
Investment income	7,933	8,067	9,023	10,406	11,459	12,553	12,834	12,763	12,464	13,714
Capital consumption allowances	1,255	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,633	1,673
<i>Total revenue</i>	<i>84,748</i>	<i>93,120</i>	<i>104,730</i>	<i>111,431</i>	<i>121,557</i>	<i>127,991</i>	<i>136,906</i>	<i>136,518</i>	<i>132,639</i>	<i>142,657</i>
Expenditure										
Current goods and services:										
Defence	9,203	9,505	10,226	10,618	11,069	11,736	11,682	11,879	11,890	11,923
Non-defence	14,115	14,600	14,803	15,612	17,460	18,512	19,992	20,257	20,909	20,746
<i>Total current goods and services</i>	<i>23,318</i>	<i>24,105</i>	<i>25,029</i>	<i>26,230</i>	<i>28,529</i>	<i>30,460</i>	<i>31,872</i>	<i>32,314</i>	<i>32,799</i>	<i>32,675</i>
Transfer payments to persons	31,809	33,570	34,799	36,419	38,916	43,907	51,364	54,187	56,556	54,887
Subsidies	5,206	5,405	6,347	5,583	4,907	5,350	7,067	4,883	4,258	4,440
Capital assistance	2,716	2,414	1,792	1,561	1,572	1,565	1,261	1,214	1,063	1,213
Current transfers to non-residents	1,537	1,904	2,262	2,471	2,954	2,332	2,722	2,711	2,312	2,281
Interest on the public debt	25,102	26,385	28,680	32,885	38,570	42,656	41,011	38,450	38,649	41,964
Transfers to provinces	20,269	20,959	22,781	23,953	25,226	25,971	27,060	30,266	28,288	29,238
Transfers to local governments	488	523	653	702	885	913	875	1,118	1,331	1,194
Gross capital formation	2,175	1,944	1,897	2,219	2,251	2,253	2,376	2,525	2,737	2,703
<i>Total expenditure</i>	<i>112,620</i>	<i>117,209</i>	<i>124,240</i>	<i>132,023</i>	<i>143,810</i>	<i>155,407</i>	<i>165,608</i>	<i>167,578</i>	<i>168,003</i>	<i>170,595</i>
Deficit	-27,872	-24,089	-19,510	-20,592	-22,253	-27,416	-28,702	-31,060	-35,364	-27,938
Reference										
Deficit on a Public Accounts basis	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462
Financial requirements excluding exchange	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842

⁽¹⁾ These "National Accounts transactions" are consistent with those released by Statistics Canada in August 1995.

RECONCILIATION OF THE PUBLIC AND NATIONAL ACCOUNTS DEFICITS

Table 17 sets out the federal government's revenues, expenditures and deficit on a national accounts basis. The national accounts deficit is estimated to be lower than the public accounts deficit by \$9.5 billion in 1994-95. Financial requirements (excluding foreign exchange requirements) are \$2.1 billion lower than the national accounts deficit in 1994-95.

Table 18 shows the key reconciliation factors between the deficit on a public accounts basis and the national accounts. The difference is largely accounted for by the superannuation accounts, which are included in the national accounts deficit and financial requirements but excluded from the public accounts deficit. Other major conceptual differences relate to cash versus accrual accounting.

Government superannuation accounts

Most of the difference between the public accounts deficit and the national accounts deficit is explained by the different treatment of the government superannuation accounts. Government employee pension benefits are financed through employer and employee contributions and interest generated on surplus funds. In the national accounts, employer and employee contributions to the superannuation accounts and the accrued interest on surplus funds are included as part of government revenues. Only benefit payments, accrued interest, and the government's contribution as an employer are part of government expenditures.

In the public accounts, budgetary revenues are unaffected by superannuation transactions, while budgetary expenditures include only the

government's contribution as an employer and interest paid on surplus funds (included in interest on the public debt). The adjustment for the superannuation accounts represents the excess of government pension receipts over employee pension payments.

Excess of accruals over collections

Tax revenues in the public accounts are recorded on a collections or cash basis, while non-tax revenues are recorded on an accrual basis. The national accounts primarily uses the accrual method of accounting with the result that revenues are recorded when funds are earned. Expenditures on both the public and national accounts basis are largely recorded on an accrual basis.

Other factors

A number of other factors arise as a result of conceptual differences between the public accounts and the national accounts. Among these are public accounts transactions excluded from the national accounts, such as the purchase and sale of capital assets, allowances for valuation and write-offs. It also includes adjustments to reflect differences in the treatment of goods purchased and services rendered prior to March 31, but for which no payment has yet been made. In the public accounts, these payments are recorded in the end-of-year period (supplementary period), while in the national accounts, such payments are allocated to either the first or second quarters of the calendar year, and therefore are spread out over two fiscal years.

Table 18

Government of Canada Public Accounts and National Accounts reconciliation

	Year ended March 31									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions of dollars)									
Budgetary revenue – Public Accounts	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323
Reconciling items										
Government pension receipts	6,070	6,548	7,176	7,756	8,523	9,441	10,926	11,133	11,767	12,468
Corporate income tax – Excess of accruals over collections	-138	-58	1,428	773	-612	-511	861	2,897	688	1,888
Capital consumption allowances	1,255	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,633	1,673
Petroleum compensation charge ⁽¹⁾	690				-1	3				
Non-tax revenue ⁽²⁾	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,492
Deficits of Government business enterprises	-933	-938	-937	-907	-991	-849	-806	-792	-773	-550
Goods and Services Tax						1,198	2,620	3,114	2,852	2,526
Child tax credit								1,312	5,240	5,286
Miscellaneous ⁽³⁾	1,860	1,302	-643	-520	708	-953	1,007	-1,556	-3,260	-1,465
Total revenue – National Accounts	84,748	93,120	104,730	111,431	121,557	127,991	136,906	136,518	132,639	142,657
Budgetary expenditure – Public Accounts	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785
Reconciling items										
Government pension payments	1,285	1,437	1,600	1,801	1,978	2,073	2,489	3,782	4,052	4,155
Net expenditure of funds and agencies ⁽⁴⁾	1,442	1,568	1,555	1,336	1,661	1,153	1,314	1,284	1,040	895
Capital consumption allowances	1,255	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,633	1,673
Petroleum compensation program ⁽⁵⁾	1,133	6	60							
Non-tax revenue ⁽⁶⁾	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,492
Deficits of Government business enterprises	-933	-938	-937	-907	-991	-849	-806	-792	-773	-550
Budgetary transfers to funds and agencies	-1,273	-1,213	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-1,066	-1,547
Goods and Services Tax – Transfer and subsidies						725	3,176	2,574	2,698	2,884
Child tax credit								1,312	5,240	5,286
Miscellaneous ⁽⁷⁾	-828	-659	-2,202	-1,974	-433	1,706	4,003	-944	-1,325	-1,494
Total expenditure – National Accounts	112,620	117,209	124,240	132,023	143,810	155,407	165,608	167,578	168,003	170,595

(1) In the Public Accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditure. Gross revenues and payments are recorded in the National Accounts.

(2) Various items of non-tax revenue, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

(3) Major items under miscellaneous include adjustments for proceeds from the sale of used capital assets, air transportation tax, imputed items, the treatment of revenue in the supplementary accounting period after March 31, and the treatment of the acceleration of source deductions and sales and excise taxes by large firms.

(4) In the National Accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

(5) This item represents the difference between the gross payments recorded on the National Accounts basis and net payments recorded on the Public Accounts basis.

(6) Various non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

(7) Major items under miscellaneous include adjustments for reserves and write-offs, provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, the treatment of expenditure and for all items in the reconciliation in the supplementary accounting period after March 31.

Tableau 18
Gouvernement du Canada
Rapprochement des comptes publics et des comptes nationaux

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
Recettes budgétaires – Comptes publics	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323
Élément de rapprochement										
Rentrées des fonds de pension du gouvernement										
Impôt sur le revenu des sociétés – excédent des sommes courues sur les sommes perçues	6,070	6,548	7,176	7,756	8,523	9,441	10,926	11,133	11,767	12,468
Provisions pour consommation de capital	-138	-58	1,428	773	-612	-511	861	2,897	688	1,888
Redevances d'indemnité sur le pétrole ⁽¹⁾	1,255	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,633	1,673
Recettes non fiscales ⁽²⁾	690				-1	3				
Déficits des entreprises commerciales du gouvernement	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,492
Taxe sur les produits et services	-933	-938	-937	-907	-991	-849	-806	-792	-773	-550
Credit d'impôt pour enfants						1,198	2,620	3,114	2,852	2,526
Divers ⁽³⁾	1,860	1,302	-643	-520	708	-953	1,007	-1,556	-3,260	-1,465
Total des recettes – Comptes nationaux	84,748	93,120	104,730	111,431	121,557	127,991	136,906	136,518	132,639	142,657
Dépenses budgétaires – Comptes publics	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785
Éléments de rapprochement										
Déboursés des fonds de pension du gouvernement	1,285	1,437	1,600	1,801	1,978	2,073	2,489	3,782	4,052	4,155
Dépenses nettes des fonds et organismes ⁽⁴⁾	1,442	1,568	1,555	1,336	1,661	1,153	1,314	1,284	1,040	895
Provisions pour consommation de capital	1,255	1,303	1,354	1,452	1,538	1,585	1,557	1,570	1,633	1,673
Programme d'indemnisation pétrolière ⁽⁵⁾	1,133	6	60							
Recettes non fiscales ⁽⁶⁾	-989	-968	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,492
Déficits des entreprises commerciales du gouvernement	-933	-938	-937	-907	-991	-849	-806	-792	-773	-550
Transferts budgétaires aux fonds et organismes	-1,273	-1,213	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-1,066	-1,547
Taxe sur les produits et services – Transfert et subventions						725	3,176	2,574	2,698	2,884
Credit d'impôt pour enfants								1,312	5,240	5,286
Divers ⁽⁷⁾	-828	-659	-2,202	-1,974	-433	1,706	4,003	-944	-1,325	-1,494
Total des dépenses – Comptes nationaux	112,620	117,209	124,240	132,023	143,810	155,407	165,608	167,578	168,003	170,595

(1) Dans les comptes publics, les redevances d'indemnité sur le pétrole sont déduites des paiements d'indemnisation pétrolière et sont comprises dans les dépenses budgétaires. Les recettes brutes et les paiements bruts sont inscrits dans les comptes nationaux.

(2) Divers éléments de recettes non fiscales, tels les frais de services et les produits de la vente de biens courants, lesquels sont inscrits comme recettes d'après les comptes publics, sont déduits des dépenses d'après les comptes nationaux.

(3) Les éléments majeurs sous divers comprenant les redressements pour les produits de la vente d'immobilisations utilisées, la taxe sur le transport aérien, les éléments imputés, le traitement des recettes dans la période de comptabilisation complémentaire au 31 mars, et le traitement de l'accélération des déductions à la source et des taxes et droits d'accise provenant des grandes entreprises.

(4) Dans les comptes nationaux, les crédits budgétaires à divers fonds et organismes sont remplacés par les dépenses courantes nettes des fonds et organismes.

(5) Cet élément représente la différence entre les paiements bruts inscrits d'après les comptes nationaux et les paiements nets inscrits d'après les comptes publics.

(6) Diverses recettes non fiscales telles les frais de services et les produits de la vente des biens courants, lesquelles sont inscrites comme recettes d'après les comptes publics, sont déduites des dépenses d'après les comptes nationaux.

(7) Les éléments majeurs sous divers comprennent les redressements pour les réserves et radiations, une provision pour évaluation de l'actif et du passif, l'achat d'immobilisations utilisées, les éléments imputés, le traitement des dépenses et de tous les éléments de rapprochement dans la période de comptabilisation complémentaire au 31 mars.

RAPPROCHEMENT DES DÉFICITS SELON LES COMPTES PUBLICS ET NATIONAUX

Le tableau 17 donne les recettes, les dépenses et le déficit du gouvernement fédéral selon les comptes nationaux. On estime que le déficit des comptes nationaux sera inférieur à celui des comptes publics de \$9,5 milliards en 1994-95. Les besoins financiers (sans compter les besoins relatifs aux opérations de change) sont inférieurs au déficit des comptes nationaux de \$2,1 milliards en 1994-95.

Le tableau 18 renferme les principaux facteurs de rapprochement du déficit selon les comptes publics et de celui selon les comptes nationaux. La différence tient principalement aux comptes de pension de retraite, qui sont compris dans le déficit selon les comptes nationaux et les besoins financiers, mais non dans le déficit selon les comptes publics. D'autres grandes différences conceptuelles ont trait à la comptabilité de trésorerie par opposition à la comptabilité d'exercice.

Les comptes de pension de retraite du gouvernement

Le traitement différent réservé aux comptes de pension de retraite du gouvernement explique en grande part la différence entre le déficit selon les comptes publics et celui selon les comptes nationaux. Les prestations de retraite des fonctionnaires sont financées par des contributions de l'employeur et de l'employé et des intérêts courus sur les fonds excédentaires. Dans les comptes nationaux, les cotisations de l'employeur et de l'employé aux comptes de pension de retraite et l'intérêt couru sur les fonds excédentaires sont compris dans les recettes gouvernementales. Seuls les prestations versées, l'intérêt couru et la contribution de l'État en sa qualité d'employeur constituent des dépenses publiques.

Dans les comptes publics, les recettes budgétaires ne sont nullement touchées par les opérations relatives aux pensions de retraite, mais les

Autres facteurs

Un certain nombre d'autres facteurs découlent des différences conceptuelles entre les comptes publics et les comptes nationaux. Ainsi, on constate que certaines opérations des comptes publics sont exclues des comptes nationaux, notamment l'achat et la vente d'immobilisations, les provisions pour évaluation et les radiations. On retrouve également les redressements qui traduisent des différences entre le traitement des biens achetés et des services rendus avant le 31 mars, mais pour lesquels aucun paiement n'a encore été fait. Dans les comptes publics, ces paiements sont inscrits en fin d'exercice (période de comptabilisation complémentaire), tandis que dans les comptes nationaux, ils sont attribués au premier ou au deuxième trimestre de l'année civile et, par conséquent, répartis sur deux exercices financiers.

Excédent des sommes courues sur les sommes perçues

dépenses budgétaires ne comprennent que la contribution de l'État à titre d'employeur et l'intérêt versé sur les fonds excédentaires (compris dans l'intérêt sur la dette publique). Le redressement des comptes de pension de retraite correspond à l'excédent des cotisations reçues sur les prestations de retraite versées aux employés.

Tableau 17
Gouvernement du Canada
Présentation des comptes nationaux
État détaillé des opérations des recettes et des dépenses

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
Opérations des Comptes nationaux ⁽¹⁾										
Recettes										
Taxes directes :										
Particuliers	44 218	50 110	56 668	58 872	65 350	74 742	79 671	79 965	76 058	82 621
Sociétés	11 418	10 357	11 968	12 503	12 409	11 215	10 220	10 103	10 132	12 492
Non-résidents	1 192	1 448	1 418	1 808	1 421	1 589	1 617	1 493	1 685	1 665
Total des taxes directes	56 828	61 915	70 074	73 183	79 180	87 546	91 508	91 561	87 875	96 778
Taxes indirectes	18 708	21 812	24 254	26 362	29 348	26 271	30 963	30 556	30 619	30 444
Autres transferts courants de particuliers	24	23	25	28	32	36	44	68	48	48
Revenus de placement	7 953	8 067	9 023	10 406	11 459	12 553	12 834	12 763	12 464	13 714
Provisions pour consommation de capital	1 255	1 303	1 354	1 452	1 538	1 585	1 557	1 570	1 633	1 673
Total des recettes	84 748	93 120	104 730	111 431	121 557	127 991	136 906	136 518	132 639	142 657
Dépenses										
Biens et services courants :										
Dépense	9 203	9 505	10 226	10 618	11 069	11 736	11 682	11 879	11 890	11 923
Non militaires	14 115	14 600	14 803	15 612	17 460	18 512	19 992	20 257	20 909	20 746
Total des biens et services courants	23 318	24 105	25 029	26 230	28 529	30 460	31 872	32 314	32 799	32 675
Paielements de transferts aux particuliers	31 809	33 570	34 799	36 419	38 916	43 907	51 364	54 187	56 556	54 887
Subventions	5 206	5 405	6 347	5 583	4 907	5 360	7 067	4 883	4 258	4 440
Assistance en capital	2 716	2 414	1 792	1 561	1 572	1 565	1 261	1 124	1 063	1 213
Transferts aux non-résidents	1 537	1 904	2 262	2 471	2 954	2 332	2 722	2 711	2 312	2 281
Intérêt de la dette publique	25 102	26 385	28 680	32 885	38 570	42 656	41 011	38 450	38 649	41 964
Transferts aux provinces	20 269	20 959	22 781	23 953	25 226	25 971	27 060	30 266	28 238	29 238
Transferts aux administrations locales	488	523	653	702	885	913	875	1 118	1 331	1 194
Formation brute de capital	2 175	1 944	1 897	2 219	2 251	2 253	2 376	2 525	2 737	2 703
Total des dépenses	112 620	117 209	124 240	132 023	143 810	155 407	165 608	167 578	168 003	170 595
Déficit	-27 872	-24 089	-19 510	-20 592	-22 253	-27 416	-28 702	-31 060	-35 364	-27 938
Référence										
Déficit selon les Comptes publics	-34 595	-30 742	-27 794	-28 773	-28 930	-32 000	-34 357	-41 021	-42 012	-37 462
Besoins financiers, change exclus	-30 510	-22 918	-18 849	-22 424	-20 530	-24 538	-31 800	-34 497	-29 850	-25 842

⁽¹⁾ Ces « Opérations des Comptes nationaux » sont conformes à celles publiées par Statistique Canada en août.

PRÉSENTATION DES COMPTES NATIONAUX

Il existe trois méthodes fondamentales pour évaluer la situation financière du Canada : le déficit des comptes publics, les besoins financiers et le déficit des comptes nationaux. Cette section explique les différences entre ces trois méthodes et rapproche les comptes publics et les comptes nationaux.

Les écarts de mesures existent parce que les cadres comptables ont été conçus à des fins différentes. Les comptes publics servent à consigner les recettes, les dépenses, l'actif et le passif pour permettre au Parlement de contrôler les deniers publics qui sont versés au Trésor et qui en sont tirés. La différence entre les recettes et les dépenses budgétaires annuelles est le déficit ou l'excédent budgétaire de l'année et l'accumulation des déficits (ou des excédents) annuels depuis la Confédération constitue la dette publique nette.

Les besoins financiers (abstraction faites des opérations de change) correspondent au déficit des comptes publics plus les opérations non budgétaires comme les prêts et les avances, les comptes à des fins déterminées et certaines autres opérations financières. La principale différence entre les comptes publics et les besoins financiers tient aux opérations non budgétaires des comptes de pension de retraite des fonctionnaires. Les besoins financiers mesurent l'incidence financière nette sur toutes les opérations budgétaires et non budgétaires. Il s'agit là de la mesure au Canada qui ressemble le plus aux mesures du déficit couramment utilisées aux États-Unis et dans le Royaume-Uni. Elle équivaut approximativement à l'incidence directe nette des emprunts de l'administration fédérale sur les marchés de capitaux.

Par contre, les comptes nationaux visent principalement à mesurer la production économique et le revenu national. Ainsi, le secteur public est traité de la même façon que les autres secteurs de l'économie, comme le secteur des particuliers, celui des entreprises et le secteur étranger. Certaines opérations sont comptabilisées selon la méthode de la comptabilité d'exercice, c'est-à-dire que les transactions sont imputées lorsque les recettes et les dépenses sont constatées. Habituellement, des organismes comme les Nations Unies, l'Organisation de coopération et de développement économiques et le Fonds monétaire international établissent des comparaisons internationales des soldes budgétaires des gouvernements en se fondant sur les comptes nationaux. Ces derniers constituent également un cadre uniforme d'aggrégation et de comparaison des situations financières de divers paliers gouvernementaux au Canada.

Les trois méthodes, bien qu'elles visent des objectifs différents, offrent des perspectives complémentaires de la situation financière de l'État. Les niveaux ne sont pas les mêmes, mais les tendances se ressemblent dans les grandes lignes. Les besoins financiers et le déficit des comptes nationaux sont considérablement inférieurs au déficit budgétaire des comptes publics, en raison de l'inclusion de l'excédent net des fonds de pension de retraite des fonctionnaires fédéraux.

Tableau 16 (suite)
Gouvernement du Canada
Présentation des comptes publics
État comparatif de l'actif financier et du passif

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
PASSIF										
Passif à court terme et provisions										
Créditeurs et charges à payer	7 014	7 486	9 441	10 113	11 348	11 192	11 297	10 832	14 646	18 390
Intérêt et dette échue	8 592	8 583	9 043	6 549	5 683	5 489	6 576	5 866	6 465	4 831
Provision pour avantages sociaux	2 050	2 350	2 500	4 300	4 200	3 950	3 050	3 285	3 555	3 910
Provision pour garanties d'emprunt et emprunts des sociétés d'État	2 240	2 655	3 320	3 615	4 000	4 170	4 020	4 555	4 930	5 540
Total du passif à court terme et des provisions	19 896	21 074	24 304	24 577	25 231	24 801	24 943	24 538	29 596	32 671
Dette portant intérêt										
Dette non échue										
En monnaie canadienne :										
Obligations négociables	80 883	94 416	103 748	115 732	127 532	143 485	158 051	178 412	203 392	225 679
Bons du Trésor	61 950	76 950	81 050	102 700	118 550	139 150	152 300	162 050	166 000	164 450
Obligations d'épargnes du Canada	44 154	43 452	52 237	46 544	39 733	33 250	34 589	33 365	30 418	30 460
Obligations détenues par le Régime de pensions du Canada	445	1 796	2 492	3 005	3 072	3 492	3 501	3 505	3 497	3 488
Total de la dette portant intérêt	187 432	216 614	239 527	267 981	288 887	319 377	348 441	377 332	403 307	424 077
En devises	13 797	11 997	11 282	8 320	5 675	4 526	3 444	5 409	10 668	16 921
Total de la dette portant intérêt	201 229	228 611	250 809	276 301	294 562	323 903	351 885	382 741	413 975	440 998
Comptes de pension et autres comptes										
Pensions de la fonction publique	46 994	51 992	57 417	63 241	69 626	76 139	81 881	87 911	94 097	101 033
Régime de pensions du Canada	1 773	1 978	2 284	2 540	2 962	3 459	3 181	2 839	2 728	3 406
Autres	3 385	3 453	3 438	2 975	2 954	2 974	3 234	3 543	3 710	4 755
Total de la dette portant intérêt	52 152	57 423	63 139	68 756	75 542	82 572	88 296	94 293	100 535	109 194
Total du passif	253 381	286 034	313 948	345 057	370 104	406 475	440 181	477 034	514 510	550 192
DÉFICIT ACCUMULÉ	273 277	307 108	338 252	369 634	395 335	432 276	465 124	501 572	544 106	582 863
	242 581	273 323	301 117	329 890	358 820	390 820	425 177	466 198	508 210	545 672

Tableau 16

Gouvernement du Canada
Présentation des comptes publics
État comparatif de l'actif financier et du passif

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
ACTIF FINANCIER										
Actif à court terme										
Fonds en banque	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893
Fonds en transit	1,693	1,468	2,322	2,087	2,035	2,196	2,902	2,931	3,313	3,241
	6,437	6,086	3,855	3,920	3,547	4,765	3,676	5,812	5,450	5,134
Moins : chèques et mandats en circulation										
Total de l'actif	2,934	2,870	2,723	2,369	2,546	4,022	2,695	3,228	4,015	3,751
Débiteurs	3,503	3,216	1,132	1,551	1,001	743	981	2,584	1,435	1,383
	1,590	1,711	1,838	2,157	2,421	3,165	4,208	4,372	4,496	4,353
Total de l'actif à court terme	5,093	4,927	2,970	3,708	3,422	3,908	5,189	6,956	5,931	5,736
Comptes d'opération de change										
Réserves internationales détenues dans le Compte du fonds des changes										
Fonds monétaire international – Souscriptions	3,459	8,212	14,779	17,422	15,393	19,066	17,148	10,879	13,156	14,356
	4,670	4,936	5,038	4,534	4,474	4,565	4,797	7,599	8,443	9,433
moins : Fonds monétaire international – Effets à payer et allocations de Droits de tirage spéciaux										
	5,151	5,580	5,815	5,186	5,045	5,063	5,400	7,681	8,674	9,439
Total net des comptes d'opération de change	2,978	7,568	14,002	16,770	14,822	18,568	16,545	10,797	12,925	14,350
Prêts, placements et avances										
Sociétés d'Etat entreprises										
Entreprises mixtes et en coparticipation	21,252	20,422	18,972	18,238	17,678	17,428	18,150	19,543	19,283	18,218
Gouvernement étranger, y compris les pays en voie de développement	5,520	5,283	4,964	4,928	4,461	4,461	4,461	4,374	4,374	4,374
Organisations internationales (moins les effets à payer	4,529	4,404	4,323	4,191	3,495	3,476	3,535	3,382	3,434	3,282
Gouvernements provinciaux et territoriaux	2,751	2,705	2,690	2,714	2,784	2,821	2,926	3,124	3,360	3,545
Autres	1,037	948	911	883	1,023	937	819	1,086	1,111	876
	1,329	1,270	1,363	1,781	1,744	1,832	1,918	1,417	1,478	1,710
	36,418	35,032	33,223	32,735	31,185	30,955	31,809	32,926	33,040	32,005
Moins : provision pour moins-value										
	13,793	13,742	13,060	13,469	12,914	12,975	13,596	15,305	16,000	14,900
Total des prêts, placements et avances	22,625	21,290	20,163	19,266	18,271	17,980	18,213	17,621	17,040	17,105
Total de l'actif financier	30,696	33,785	37,135	39,744	36,515	40,456	39,947	35,374	35,896	37,191

Tableau 15
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations de change, de la dette non échue et de la caisse

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
OPÉRATIONS DE CHANGE										
Réserves internationales détenues dans le Compte du fonds des changes	752	-4,753	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277	-1,200
Fonds monétaire international – souscriptions	-685	-266	-102	504	60	-91	-232	-2,802	-844	-990
	67	-5,019	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121	-2,190
<i>Moins :</i> Fonds monétaire international – effets à payer	-637	-359	-208	495	126	5	-275	-2,181	-841	-586
Allocations de Droits de tirages spéciaux	-182	-70	-27	134	15	-23	-62	-100	-152	-179
	-819	-429	-235	629	141	-18	-337	-2,281	-993	-765
Opérations de la dette non échue à payer en devises étrangères	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253
Total des opérations de change	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828
OPÉRATIONS DE LA DETTE NON ÉCHUE										
Obligations négociables	15,447	13,512	9,787	10,951	10,575	15,404	14,499	19,781	27,142	25,142
Bons du Trésor	9,650	15,000	4,100	21,650	15,850	20,600	13,150	9,750	3,950	-1,550
Obligations d'épargne du Canada	2,312	-703	8,786	-5,693	-6,812	-6,482	1,339	-1,224	-2,947	43
Obligations détenues par le Fonds de placement du régime de pensions du Canada	240	1,351	696	513	67	420	9	4	-8	-9
Effets et prêts	861	-2,823	-1,171	-2,015	-1,734	-163	-7	-7	-7	-3,397
Bons du Canada		1,045		86	315	-438	-1,008	2,552	3,097	3,397
	28,510	27,382	22,198	25,492	18,261	29,341	27,982	30,856	31,234	27,023
<i>Moins :</i> Opérations de la dette non échue à payer en devises	4,740	-1,800	-715	-2,962	-2,645	-1,149	-1,082	1,965	5,259	6,253
Total des opérations de la dette non échue à payer en monnaie canadienne	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	25,975	20,770
FONDS EN BANQUE EN FIN D'EXERCICE										
En monnaie canadienne	4,566	4,479	1,361	1,708	1,369	2,459	677	2,774	2,032	1,817
En devises étrangères	178	139	152	125	143	110	97	107	105	76
Total	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893

Provenance/besoin (-).

Tableau 14 (suite)

Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations non budgétaires

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
Autres opérations										
Débiteurs	-74	-121	-127	-319	-264	-744	-1,043	239	27	-412
Chèques et mandats en circulation	-489	-64	-147	-354	177	1,476	-1,327	533	787	-264
Fonds en transit	189	225	-854	235	52	-161	-706	-29	-382	72
Compte des accords de perception des impôts provinciaux	-227	57	1,050	-731	-368	-813	-241	-747	-151	870
Autres éléments de passif	-754	1,121	2,180	1,004	1,022	383	383	-61	5,058	2,760
Total des autres opérations	-1,355	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026
Opérations non budgétaires nettes après provision pour moins-value	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620

Ressource/besoin (-)

Tableau 14
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations non budgétaires

Exercice clos le 31 mars										
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
OPÉRATIONS NON BUDGÉTAIRES										
Prêts, placements et avances										
Sociétés d'État «entreprises» :										
Société d'assurance-dépôts du Canada	-895	-268	-131	-361	320	150	-560	-1,300	-66	991
Société canadienne d'hypothèques et de logement	195	254	234	273	201	194	65	238	105	240
Société des chemins de fer nationaux du Canada	9	352	29	12	12	13	15	16	17	19
Société pour l'expansion des exportations	64	49	55	25	-75	-16			-25	-38
Société du crédit agricole	214	591	-179	230	104	-82	-159	71	-68	-35
Banque fédérale de développement	119	93	51			-10	-73	-412	297	-112
Autres	177	-241	1,391	555	-2	-9				
Total des sociétés d'État «entreprises»	-117	830	1,450	734	560	250	-722	-1,387	260	1,065
Autres prêts, placements et avances :										
Administrations provinciales et territoriales	110	89	37	28	-140	86	118	268	-25	235
Gouvernements étrangers y compris les pays en voie de développement	-142	124	81	132	696	19	-59	152	-52	152
Organismes internationaux (souscriptions moins effets à payer)	-220	46	15	-24	-70	-37	-105	-197	-236	-185
Entreprises mixtes et en coparticipation	-61	237	319	36	362	88		495	-61	-232
Divers	171	60	-93	-418	142	-88	-86			
	-142	556	359	-246	990	-20	-132	270	-374	-30
Provision pour moins-value	286	-51	-682	409	-555	61	621	1,709	695	-1,100
Total des prêts, placements et avances après la provision pour moins-value	27	1,335	1,127	897	995	291	-233	592	581	-65
Comptes de pension et autres comptes										
Comptes de passif :										
Régime de pensions du Canada (net)	271	205	306	256	422	497	-278	-342	-111	678
Dette au titre des régimes de retraite (nette)	4,682	4,998	5,425	5,825	6,385	6,511	5,742	6,030	6,186	6,936
Autres	460	68	-15	-464	-21	22	260	309	167	1,045
Total des comptes de pension et autres comptes	5,413	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659

Tableau 13

Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations des dépenses

Exercice clos le 31 mars										
(millions de dollars)										
OPÉRATIONS BUDGÉTAIRES										
Dépenses										
Paiements de transfert :										
Prestations de sécurité de la vieillesse, suppléments de revenu garanti et allocations au conjoint										
Prestations d'assurance-chômage										
Allocations familiales										
Accords fiscaux										
Assurance et soins médicaux										
Régime d'assistance publique du Canada										
Aide à l'éducation										
Autres paiements de transfert										
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	12,525	13,445	14,349	15,202	16,154	17,131	18,393	19,106	19,903	20,511
	10,036	10,444	10,487	10,972	11,694	14,665	18,126	19,065	17,626	14,815
	2,501	2,534	2,564	2,606	2,653	2,736	2,821	2,194	7	
	5,941	6,302	7,007	8,127	8,653	8,280	8,854	7,591	9,045	7,674
	6,400	6,607	6,558	6,678	6,663	6,033	6,689	8,307	7,232	7,691
	3,916	4,051	4,246	4,556	5,006	5,788	6,099	6,686	7,236	7,266
	2,277	2,232	2,242	2,227	2,166	1,862	2,142	2,887	2,378	2,486
	15,387	15,291	17,436	17,535	17,139	16,607	18,829	19,624	19,941	21,597
	58,983	60,906	64,889	67,903	70,128	73,102	81,953	85,460	83,368	82,040
Dépenses des sociétés d'État	4,479	4,936	5,872	5,572	5,237	5,713	5,252	6,219	5,298	5,003
Autres dépenses de programmes :										
Défense nationale										
Tous les autres ministères et organismes										
	8,937	9,788	10,554	10,761	11,217	11,518	10,901	10,939	11,282	10,693
	13,707	14,375	15,138	15,452	17,266	18,432	17,109	19,958	20,066	21,003
	22,644	24,163	25,692	26,213	28,483	29,950	28,010	30,897	31,348	31,696
Total des dépenses de programmes	86,106	90,005	96,453	99,688	103,848	108,765	115,215	122,576	120,014	118,739
Frais de la dette publique	25,422	26,668	28,953	33,152	38,789	42,588	41,174	38,825	37,982	42,046
Total des dépenses nettes	111,528	116,673	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785

Tableau 12
Gouvernement du Canada
Présentation des comptes publics
État détaillé des opérations des recettes

Exercice clos le 31 mars										
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
OPÉRATIONS BUDGÉTAIRES										
Recettes										
Recettes fiscales										
Impôt sur le revenu										
Des particuliers	33,008	37,878	45,125	46,026	51,895	57,601	61,222	58,283	51,427	56,329
Des sociétés	9,210	9,885	10,878	11,730	13,021	11,726	9,359	7,206	9,444	11,604
Autres recettes d'impôt	1,179	1,499	1,369	1,843	1,587	1,651	1,534	1,462	1,593	1,769
	43,397	49,262	57,372	59,599	66,503	70,978	72,115	66,951	62,464	69,702
Cotisations d'assurance-chômage										
	8,719	9,558	10,425	11,268	10,738	12,707	15,394	17,535	18,233	18,928
Taxes et droits d'accise :										
Taxe sur les produits et services										
Taxe de vente	9,345	11,972	12,927	15,645	17,672	12,635	15,168	14,868	15,696	16,786
Droits de douane à l'importation	3,971	4,187	4,385	4,521	4,587	4,001	-1,969	-139	-62	-92
Taxes en matière d'énergie	3,348	1,965	2,603	2,646	2,471	3,192	3,999	3,811	3,652	3,575
Autres	2,827	2,925	3,026	2,959	3,425	3,711	4,557	4,103	3,709	2,996
	19,491	21,049	22,941	25,771	28,155	26,113	25,196	26,080	26,635	27,089
Total des recettes fiscales	71,607	79,869	90,738	96,638	105,396	109,798	112,705	110,566	107,332	115,719
Recettes non fiscales										
Produits de placement :										
Banque du Canada	1,856	1,971	1,871	1,938	2,239	2,809	1,844	1,806	1,452	1,571
Société canadienne d'hypothèques et de logement	892	866	853	845	822	772	753	800	719	706
Société du crédit agricole	386	354	326	301	239	230	215	226	211	199
Compte du fonds des changes	(505)	366	752	1,658	1,661	2,258	2,900	3,209	2,916	1,816
Intérêt des dépôts bancaires	278	219	279	256	278	285	192	169	128	155
Autres revenus de placement	754	479	656	549	611	453	617	628	716	574
	3,661	4,255	4,737	5,547	5,850	6,807	6,521	6,838	6,142	5,021
Autres recettes non fiscales										
Total des recettes non fiscales	1,665	1,807	2,137	1,882	2,461	2,748	2,806	2,976	2,510	2,583
	5,326	6,062	6,874	7,429	8,311	9,555	9,327	9,814	8,652	7,604
Total des recettes nettes	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323

RENSEIGNEMENTS FINANCIERS SUPPLÉMENTAIRES

Tableau 11

Gouvernement du Canada Présentation des comptes publics État sommaire des opérations

	Exercice clos le 31 mars									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	(millions de dollars)									
Opérations budgétaires										
Recettes	76,933	85,931	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323
Dépenses	-111,528	-116,673	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785
Déficit	-34,595	-30,742	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462
Opérations non-budgétaires										
Prêts, placements et avances	27	1,335	1,127	897	995	291	-233	592	581	-65
Comptes à fins déterminées	5,413	5,271	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659
Autres opérations	-1,355	1,218	2,102	-165	619	141	-2,934	-65	5,339	3,026
Provenances nettes	4,085	7,824	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620
Besoins financiers (opérations de change exclues)	-30,510	-22,918	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842
Opérations de change	5,626	-6,390	-7,149	-5,730	-697	-4,895	941	7,713	3,131	4,828
Total des besoins financiers⁽¹⁾	-24,884	-29,308	-25,998	-28,154	-21,227	-29,433	-30,859	-26,784	-26,719	-21,014
Opérations de la dette non échue	23,770	29,182	22,913	28,454	20,906	30,490	29,064	28,891	26,975	20,770
Variation de l'encaisse⁽²⁾	-1,114	-126	-3,085	300	-321	1,057	-1,795	2,107	-744	-244
Fonds en banque en fin d'exercice	4,744	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893

(1) Besoins de trésorerie (-).

(2) Diminution des fonds en banque (-).

principe, ces programmes sont autosuffisants, mais si ces sociétés manquent de fonds pour respecter leurs obligations, le gouvernement doit fournir les montants nécessaires. Au 31 mars 1995 le montant des assurances en cours était d'environ \$435 milliards (\$402 milliards en 1994). Le gouvernement est d'avis qu'aucun coût ne devra être encouru pour les réclamations de ces programmes d'assurance.

Passif éventuel

Le passif éventuel du gouvernement représente les obligations potentielles qui peuvent devenir des passifs réels lorsqu'un ou plusieurs événements futurs se réalisent ou ne se réalisent pas. Le dénouement de l'incertitude confirmera une obligation réelle et, dans ce cas, le passif sera comptabilisé dans les comptes du Canada.

Par contre, les pertes découlant des garanties

Autres sources de renseignements

Les Comptes publics du Canada

Les Comptes publics du Canada, conformément au paragraphe 64(1) de la *Loi sur la gestion des finances publiques*, sont déposés chaque automne par le président du Conseil du Trésor. Ils se présentent en deux volumes :

- Le Volume I renferme les états financiers vérifiés du gouvernement du Canada ainsi que des tableaux et des renseignements à l'appui, et
- Le Volume II fournit des détails sur les opérations financières par ministère (Partie I) ainsi que des renseignements et des analyses supplémentaires (Partie II).

Le budget

Le budget, qui est habituellement déposé en février, présente le plan global du gouvernement en matière de recettes et de dépenses, dont le résultat détermine le déficit budgétaire. Le budget présente également les propositions de modifications fiscales.

Les budgets des dépenses

Les budgets des dépenses sont les plans de dépenses détaillés qui sont présentés chaque printemps au Parlement. Ils comprennent trois parties :

- la Partie I présente un aperçu du plan de dépenses du gouvernement;
- la Partie II détaille les dépenses par ministère, organisme et programme;
- la Partie III fournit des détails supplémentaires sur chaque ministère et ses programmes.

Le Rapport sur les opérations d'emprunt

Ce document annuel donne un aperçu des emprunts contractés par le gouvernement fédéral. Il expose les principaux éléments de la stratégie qu'applique actuellement le gouvernement fédéral en matière de dette publique et décrit les divers aspects stratégiques et opérationnels du programme de gestion de la dette ainsi que des activités de gestion de la trésorerie au cours du dernier exercice.

La Revue financière

Ce bulletin mensuel produit par le ministère des Finances expose les faits saillants des résultats financiers du gouvernement fédéral ainsi que les raisons des principales variations.

d'emprunts, incluant celles résultant des emprunts des sociétés d'État entreprises, sont enregistrées comme passif réel lorsqu'il est probable qu'on devra faire un paiement dans le futur et lorsque le montant de la perte peut être estimé avec suffisamment de précision.

Le passif éventuel provient d'exercice de garanties, d'éventualités environnementales, de capital sujet à appel et des lignes de crédit dans les organisations internationales, de réclamations et de causes en instance ou imminentes relatives à des revendications territoriales des autochtones et d'obligations en vertu de traités, et d'autres éléments du même genre. Au 31 mars 1995 le passif éventuel s'élevait à environ \$64.2 milliards (\$54.8 milliards en 1994), dont \$5.5 milliards (\$4.9 milliards en 1994) étaient liés aux garanties d'emprunts inscrites comme passif dans les états financiers.

Les éléments de passif sont généralement comptabilisés selon la méthode de la comparabilité d'exercice. Les obligations découlant des régimes de retraite du secteur public et des indemnités de cessation d'emploi sont déterminées sur une base actuarielle. Des provisions sont établies pour les garanties d'emprunt non exécutées, pour les prêts à des conditions de faveur et les prêts consentis aux États souverains, et pour les autres obligations. La dette non échue est comptabilisée à la valeur nominale et les montants en devises ont été convertis aux taux en vigueur au 31 mars.

Présentation des recettes et des dépenses au brut

Les montants figurant dans l'état condensé des recettes et dépenses sont présentés sur une base brute seulement. Les recettes au brut comprennent les recettes des sociétés d'État consolidées et les recettes des ministères qui, sur une base nette, sont déduites des dépenses pour raison de présentation du budget et d'autorisations parlementaires. Les dépenses au brut comprennent les dépenses déterminées par le biais du régime fiscal, tels que les prestations fiscales pour enfants et les crédits d'impôt trimestriels relatifs à la taxe sur les produits et services (TPS), qui sont déduits des recettes sur une base nette. L'état des recettes et dépenses dans les états financiers vérifiés de la section 1 du volume I des Comptes publics du Canada présente à la fois des chiffres bruts et des chiffres nets.

Autorisations des opérations

Le gouvernement doit obtenir l'autorisation du Parlement pour percevoir des recettes, pour dépenser ou pour emprunter. Les autorisations de dépenser sur une base nette accordées par le Parlement se chiffraient à \$164,6 milliards (\$161,0 milliards en 1994), alors que \$160,8 milliards (\$158,0 milliards en 1994) ont été dépenses. Sur des autorisations d'emprunter de \$34,3 milliards de dollars (\$44,3 milliards en 1994), \$26,9 milliards (\$30,8 milliards en 1994) ont été employés.

Régimes de retraite du secteur public

Aucune caisse de retraite distincte n'est constituée pour assurer le paiement de prestations de retraite aux employés du gouvernement, ainsi qu'aux parlementaires, aux membres des Forces canadiennes, à ceux de la Gendarmerie royale du Canada et aux juges. Les obligations découlant des régimes de retraite sont déterminées annuellement

en se fondant sur les meilleures hypothèses démographiques et économiques du gouvernement influant sur le calcul de ses obligations. Des variations dans ces hypothèses peuvent entraîner une augmentation ou une baisse importante des obligations estimatives.

Éléments de passif importants

Certaines transactions importantes ont été enregistrées comme passif du gouvernement durant l'exercice. Les transactions comptabilisées étaient de \$2,3 milliards pour la restructuration de la fonction publique (dont \$0,8 milliard inscrits pour les régimes de retraite du secteur public) afin de réduire les effectifs au cours des trois prochaines années et \$1,6 milliard pour des paiements dus à l'élimination des subventions de transport du grain de l'Ouest. Un montant de \$0,7 milliard a également été inscrit pour la valeur actualisée estimative pour des paiements de subventions afin de construire un pont entre les provinces du Nouveau-Brunswick et de l'Île-du-Prince-Édouard (connu comme le rapprochement permanent de l'Île-du-Prince-Édouard au continent), mais ceci a été contrebalancé par l'enregistrement d'un montant équivalent comme subventions reportées incluses dans les prêts.

Engagements contractuels

La nature des activités du gouvernement l'oblige à négocier des marchés importants à l'égard de sa situation financière actuelle ou qui auront un effet important sur ses dépenses futures. Les engagements contractuels ont rapport aux ententes de paiements de transfert, acquisitions d'immobilisations, autres achats, contrats de location-exploitation et de location-acquisition, financement d'organisations internationales et régime de prestations pour les anciens combattants. Au 31 mars 1995 les engagements contractuels s'élevaient à environ \$28,9 milliards (\$31,8 milliards en 1994). Les prévisions de paiements annuels pour ces engagements pour les cinq prochains exercices diminuent de \$7,5 milliards en 1996 à \$3,7 milliards en l'an 2000.

Programmes d'assurance

Trois sociétés d'État entreprises – la Société d'assurance-dépôts du Canada (SADC), la Société canadienne d'hypothèques et de logement (SCHL) et la Société pour l'expansion des exportations (SEB) – administrent des programmes d'assurance en tant que mandataires du gouvernement. En

Gouvernement du Canada

Etat condensé de l'évolution de la situation financière

pour l'exercice terminé le 31 mars 1995

	1995	1994
(millions de dollars)		
Besoins de trésorerie pour :		
Activités de fonctionnement		
Moins : éléments sans effets sur la trésorerie	37,462	42,012
Paiements nets des régimes de retraite et autres comptes	25,316	28,211
Variation nette de l'actif et du passif à court terme	2,033	3,435
Besoins de trésorerie pour les activités de fonctionnement	(664)	(1,505)
Activités d'investissements		
Variation nette des prêts, placements et avances	(1,035)	114
Augmentation nette des comptes d'opérations de change	1,425	2,128
Besoins de trésorerie pour les activités d'investissement	390	2,242
Total des besoins de trésorerie	27,075	32,383
Financés par :		
Augmentation nette des emprunts	20,770	25,975
En monnaie canadienne	6,253	5,259
En devises	27,023	31,234
Variation nette de l'encaisse	(52)	(1,149)
Encaisse au début de l'exercice	1,435	2,584
Encaisse à la fin de l'exercice	1,383	1,435

- les immobilisations et les stocks sont totalement imputés aux dépenses au moment de l'acquisition ou de la construction.

En conséquence, seules les créances sont comptabilisées dans l'état condensé de l'actif et du passif car elles peuvent servir à acquitter des éléments de passif ou à financer des activités de fonctionnement futures. Celles-ci comprennent les liquidités, les réserves d'or, les débiteurs, ainsi que les prêts, placements et avances. L'actif est comptabilisé selon la méthode d'évaluation au moindre du coût et de la valeur de réalisation nette espérée, sauf dans le cas des réserves d'or (1995 – 3,9 millions d'onces à \$76,42 l'once; 1994 – 5,6 millions d'onces à \$68,40 l'once), qui est évalué à son coût approximatif en devises.

Méthode de comptabilité

même qu'au moyen des intérêts sur les placements, qui consistent principalement en des titres des gouvernements provinciaux. Les sociétés d'Etat entreprises, qui sont rapportées comme placements, ne dépendent pas du gouvernement pour le financement de leurs activités.

En général, les opérations du gouvernement sont comptabilisées selon la méthode de la comptabilité d'exercice, à deux exceptions importantes près :

- les recettes fiscales et les remboursements d'impôt sont généralement comptabilisés selon la méthode de la comptabilité de caisse (lorsque les impôts sont perçus et les remboursements effectués), à l'exception de certains remboursements importants qui sont comptabilisés selon la méthode de comptabilité d'exercice;

Tableau 9

Gouvernement du Canada Etat condensé de l'actif et du passif au 31 mars 1995

	1995	1994
(millions de dollars)		
Passif		
Passif à court terme et provisions		
Créditeurs et charges à payer	23,221	21,111
Provisions pour garanties et avantages sociaux	9,450	8,485
	32,671	29,596
Dettes portant intérêt		
Régimes de retraite et autres comptes	101,033	94,097
Régime de pensions du secteur public	3,406	2,728
Autres	4,755	3,710
	109,194	100,535
Dettes non échues		
Obligations négociables	225,679	203,392
Bons du Trésor	164,450	166,000
Obligations d'épargne du Canada	30,460	30,418
Obligations pour le Régime de pensions du Canada	3,488	3,497
Total à payer en monnaie canadienne	424,077	403,307
À payer en devises	16,921	10,668
	440,998	413,975
Total de la dette portant intérêt	550,192	514,510
Total du passif	582,863	544,106
Actif		
Actif à court terme		
Encaisse	1,383	1,435
Débiteurs (déduction faite de la provision pour créances douteuses)	4,353	4,496
Comptes d'opérations de change, y compris les réserves d'or	5,736	5,931
Prêts, placements et avances	14,350	12,925
Sociétés d'Etat entreprises	18,218	19,283
Autres	13,787	13,757
	32,005	33,040
Moins provision pour moins-value	17,105	17,040
Total de l'actif	37,191	35,896
Déficit accumulé	545,672	508,210

Principales conventions comptables

Périmètre comptable

Le périmètre comptable du gouvernement du Canada comprend les activités financières de l'ensemble des ministères, organismes, sociétés et fonds qui appartiennent au gouvernement ou qui sont contrôlés par celui-ci et qui ont à rendre compte au Parlement, à l'exception du Régime de pensions du Canada et des sociétés d'Etat entreprises. Le Régime de pensions du Canada, qui est sous le contrôle conjoint du gouvernement fédéral et des provinces participantes est financé au moyen des cotisations que versent les employés, leurs employeurs et les travailleurs autonomes, de

Notes afférentes aux états financiers condensés du gouvernement du Canada

Introduction

Les présentes notes résument brièvement les conventions comptables du gouvernement du Canada ainsi que d'autres informations liées aux états financiers condensés. Pour plus de précisions sur les conventions comptables et pour plus de renseignements sur la situation financière ainsi que sur les résultats des opérations du gouvernement, le lecteur est prié de se reporter aux états financiers vérifiés qui sont présentés dans la section 1 du volume I des Comptes publics du Canada de 1995.

PRÉFACE DES ÉTATS FINANCIERS CONDENSÉS DU GOUVERNEMENT DU CANADA

Le but fondamental de ces états financiers condensés est de donner un aperçu au Parlement, et par le fait même au public, de la nature et de l'étendue des activités et des ressources financières dont le gouvernement est responsable. Il incombe au gouvernement de veiller à l'intégrité et à l'objectivité de ces états financiers.

Les états financiers condensés reflètent la situation financière du gouvernement à la fin de l'exercice, ainsi que les résultats de ses opérations, le déficit, ses besoins financiers et l'évolution de la situation

financière pour l'exercice. Ces états financiers et les notes complémentaires sont tirés des états financiers vérifiés et présentés sous une forme résumée. Les états financiers vérifiés se trouvent dans la section I du Volume I des comptes publics du Canada 1995, qui seront déposés devant le Parlement plus tard cette année. Ces états financiers condensés ont été préparés par le gouvernement du Canada en conformité avec les conventions comptables énoncées dans les notes afférentes.

Tableau 8

Gouvernement du Canada Etat condensé des recettes et dépenses pour l'exercice terminé le 31 mars 1995

	1995	1994
(millions de dollars)		
Recettes⁽¹⁾		
Recettes fiscales brutes	75,049	68,990
Impôts sur le revenu	30,494	29,860
Taxes et droits d'accise	18,928	18,233
Cotisations d'assurance-chômage	124,471	117,073
Recettes non fiscales brutes	10,608	11,297
Total des recettes brutes	135,079	128,370
Montants déduits pour obtenir les recettes nettes	11,756	12,386
Total des recettes nettes	123,323	115,984
Dépenses		
Paielements de transfert bruts	20,143	19,578
Sécurité de la vieillesse et paielements connexes	14,815	17,626
Prestations d'assurance-chômage	25,510	26,273
Paielements aux autres administrations	29,735	29,102
Autres paielements de transfert	5,741	5,913
Dépenses brutes des sociétés d'Etat	34,551	33,908
Autres dépenses de programmes brutes	130,495	132,400
Montants déduits pour obtenir les dépenses de programmes nettes	11,756	12,386
Total des dépenses de programmes brutes	118,739	120,014
Intérêts sur la dette	42,046	37,982
Total des dépenses de programmes nettes	160,785	157,996
Déficit de l'exercice	37,462	42,012
Déficit accumulé	508,210	466,198
En début d'exercice		
En fin d'exercice	545,672	508,210

(1) Tous les montants détaillés de ce condensé sont présentés sur une base brute; voir Présentation des recettes et dépenses au brut (p. 22) pour de plus amples explications.



OPINION DU VÉRIFICATEUR GÉNÉRAL SUR LES ÉTATS FINANCIERS CONDENSÉS DU GOUVERNEMENT DU CANADA

Au ministre des Finances,

J'ai vérifié, conformément aux normes de vérification généralement reconnues, l'état de l'actif et du passif du gouvernement du Canada au 31 mars 1995, ainsi que les états des recettes et dépenses, du déficit accumulé, de l'évolution de la situation financière et des opérations pour l'exercice clos à cette date. Dans mon rapport à la Chambre des communes du 24 juillet 1995, j'ai exprimé une opinion sans réserve sur ces états financiers. Mon rapport de vérification et les états financiers seront inclus dans le Volume I des *Comptes publics du Canada* de 1995, qui devraient être déposés à la Chambre des communes plus tard cette année.

À mon avis, les états financiers condensés ci-joints des recettes et dépenses, de l'actif et du passif et de l'évolution de la situation financière résument fidèlement, à tous égards importants, l'information connexe contenue dans les états financiers complets dont elle est tirée.

Le vérificateur général du Canada,

L. Denis Desautels, FCA

Ottawa, Canada
le 24 juillet 1995

transferts ont été plus élevés que prévu en raison de frais ponctuels de \$1,6 milliard liés à l'élimination des subventions versées en vertu de la *Loi sur le transport du grain de l'Ouest*. Les frais de restructuration associés à la réduction des effectifs expliquent l'augmentation des autres dépenses ministérielles.

Les frais de la dette publique ont été de \$1,0 milliard plus élevés que prévu dans le budget de février 1994, en raison de taux d'intérêt supérieurs. L'effet global de la hausse des taux d'intérêt sur les résultats financiers a été quelque peu estompé étant donné que les taux d'intérêt à

La «carte de pointage»

Tableau 7

	Observés	Budget de 1994 (prévision)	Budget de 1995 (estimation)
(pour cent)			
Indicateurs économiques			
PIB réel	4,6	3,0	4,3
Inflation	0,2	0,8	0,2
IPC	0,6	0,9	0,6
Indice de déflation du PIB	0,6	0,9	0,6
PIB nominal	5,2	3,9	4,9
Taux d'intérêt			
Bons du Trésor à 91 jours	5,4	4,3	5,5
Obligations à 10 ans du gouvernement	8,4	6,4	8,4
(milliards de dollars)			
Résultats financiers			
Recettes budgétaires	56,3	59,5	56,8
Impôt sur le revenu des particuliers	11,6	10,3	13,0
Impôt sur le revenu des sociétés	18,9	19,3	18,9
Cotisations d'assurance-chômage	16,8	16,5	16,6
Taxe sur les produits et services	10,3	10,1	10,5
Taxes et droits de vente et d'accise	9,4	8,2	9,2
Autres recettes	123,3	123,9	125,0
Total			
Dépenses de programmes	35,3	38,9	35,9
Principaux transferts aux particuliers	26,6	26,3	26,9
Autres transferts	20,1	19,1	19,2
Paiements aux sociétés d'État	5,0	4,6	4,8
Défense	10,7	10,8	10,8
Dépenses de fonctionnement des autres ministères	21,0	20,5	23,2
Total	118,7	120,2	120,9
Frais de la dette publique	42,0	41,0	42,0
Réserve pour éventualité	0,0	2,4	0,0
Déficit	37,5	39,7	37,9
Opérations non budgétaires	11,6	9,5	11,9
Besoins financiers (opérations de change exclues)	25,8	30,2	26,0

court terme – qui sont les plus importants à un horizon plus rapproché – ont moins augmenté que les taux à long terme. De plus, les besoins financiers pour 1994-95 ont été moins élevés que prévu à l'origine. Enfin, le gouvernement a contracté la plus grande partie de ses emprunts pendant le premier trimestre de l'exercice, alors que les taux d'intérêt étaient plus faibles que pendant le reste de l'exercice.

Dans le budget de février 1995, le déficit a été révisé à la baisse, pour s'établir à \$37,9 milliards. Le résultat final est conforme à ce chiffre, même si l'on note des différences au niveau des éléments.

LA «CARTE DE POINTAGE»

Dans cette section, les chiffres effectifs enregistrés au titre d'indicateurs économiques choisis et des résultats financiers sont comparés aux prévisions faites dans les budgets de février 1994 et de février 1995.

Le budget de février 1994 prévoyait pour 1994-95 un déficit de \$39.7 milliards, reposant sur l'hypothèse d'une croissance économique relativement forte et d'une inflation faible en 1994. Il supposait également que les taux d'intérêt subiraient une hausse modérée après avoir été peu élevés au début de 1994 et que les mesures de restrictions annoncées dans le budget se feraient sentir. Les perspectives économiques pour 1994, présentées dans le budget de février, étaient fondées sur les prévisions économiques les plus prudentes du secteur privé, conformément aux conseils prodigués par les économistes à la réunion de décembre 1993. Le déficit prévu dans le budget de février 1994 prévoyait aussi une réserve pour éventualités de \$2.4 milliards pour couvrir les imprévus et les inexactitudes que renferment inévitablement les modèles utilisés pour traduire les hypothèses économiques en prévisions budgétaires détaillées.

La croissance économique en 1994 s'est révélée plus vigoureuse que prévu, à 4.6 pour cent, en grande partie en raison de la forte demande aux États-Unis. Le taux d'inflation a été un peu plus faible que prévu. Il en est résulté une forte croissance des revenus nominaux, la source des recettes publiques. Les revenus nominaux ont été supérieurs de \$11 milliards aux prévisions du budget de février 1994. Toutefois, on a noté d'importants changements dans la composition des revenus, ce qui a eu pour effet d'en modifier l'incidence globale sur les recettes budgétaires. Ainsi, le revenu du travail a été inférieur de \$7 milliards aux prévisions du budget de février 1994, alors que les bénéfices des sociétés étaient supérieurs de \$11.4 milliards et les provisions pour consommation de capital, de \$5.4 milliards.

La progression de l'emploi a été nettement plus forte, s'établissant à 2.1 pour cent en 1994 contre un taux de 1.4 pour cent prévu dans le budget de 1994. Les taux d'intérêt à court terme et à long terme étaient de 110 et 200 centièmes respectivement au-dessus des niveaux pris pour hypothèse en février 1994. Les taux plus élevés s'expliquent par des

facteurs internationaux, ayant d'abord émergé aux États-Unis, ainsi que par les préoccupations que suscitaient les déficits budgétaire et extérieur considérables du Canada. Les changements survenus dans l'économie ont eu une incidence positive nette sur les résultats financiers. Le résultat enregistré est imputable à divers facteurs, notamment :

- l'utilisation d'hypothèses économiques «prudentes» aux fins de planification, ce qui a eu pour effet que la réserve pour éventualités de \$2.4 milliards est restée pratiquement intacte;
- des prestations d'assurance-chômage moins élevées que prévu, grâce à une progression plus rigoureuse de l'emploi;
- des dépenses de fonctionnement moins élevées dans les ministères, à la suite des mesures de restriction annoncées dans le budget de février 1994.

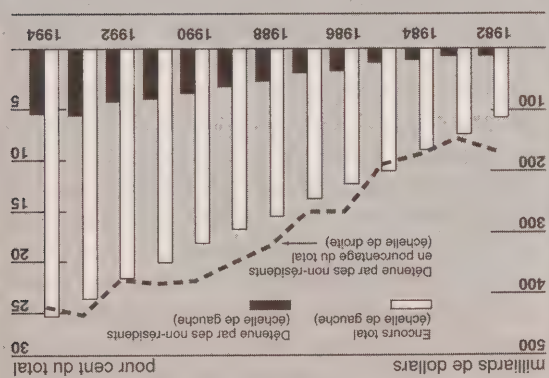
Quant aux principaux éléments des recettes et des dépenses, les rentrées ont été inférieures de \$0.6 milliard au niveau prévu dans le budget de février 1994. L'impôt perçu sur le revenu des particuliers a été inférieur de \$3.2 milliards aux prévisions, en raison d'une hausse moins marquée que prévu du revenu du travail. L'impôt perçu sur le revenu des sociétés a augmenté de \$1.3 milliard, sous l'impulsion d'une forte croissance des bénéfices des sociétés au cours de 1994-95. Les «autres» recettes ont dépassé de \$1.2 milliard le niveau prévu, en raison des profits supérieurs du Compte du fonds des changes et d'autres recettes non fiscales plus élevées.

Les dépenses de programmes, qui ont totalisé \$118.7 milliards, ont été inférieures de \$1.5 milliard aux prévisions du budget de février 1994. Si l'on fait abstraction des frais ponctuels associés aux mesures annoncées dans le budget de 1995, les dépenses de programmes ont été inférieures de \$5.4 milliards aux prévisions du budget de février 1994. Parmi les grandes catégories de dépenses, les principaux transferts aux particuliers ont été inférieurs de \$3.6 milliards aux prévisions, attribuables en quasi-totalité à des prestations d'assurance-chômage moins élevées reflétant une amélioration du marché du travail tout au long de 1994. Les principaux transferts aux autres administrations étaient légèrement en hausse. Les «autres» paiements de

Tableau 6
Encours de la dette en fin d'exercice

	1994-95	1993-94	1992-93
Dette portant intérêt	441.0	414.0	382.7
Dette non échue	109.2	100.5	94.2
Passif des comptes de pension et autres comptes	550.2	514.5	476.9
Autre passif	32.7	29.6	24.6
Passif total (dette brute)	582.9	544.1	501.6
Moins : actifs financiers	37.2	35.9	35.4
Déficit accumulé (dette nette)	545.7	508.2	466.2

(milliards de dollars)

Dette du gouvernement
du Canada détenue à l'étranger

LES BESOINS FINANCIERS ET LA DETTE

Les besoins financiers représentent l'écart entre les décaissements et les encaissements de l'État. Ils sont inférieurs au déficit, puisqu'ils tiennent compte des ressources nettes dégagées par les opérations non budgétaires. Ces dernières comprennent les prêts, placements et avances, les activités des comptes de pension des employés de l'État, les transactions des autres comptes déterminés et les opérations touchant le passif et les actifs financiers.

Les opérations non budgétaires se sont soldées en 1994-95 par des ressources nettes de \$11,6 milliards, soit légèrement en baisse par rapport à 1993-94.

De plus, les opérations du Compte du fonds des changes entrent dans la détermination des besoins financiers.

Les activités du Compte du fonds des changes visent à promouvoir l'ordre et la stabilité du dollar canadien sur le marché des changes. À cette fin, le Fonds achète des devises (en vendant des dollars canadiens) lorsque le cours de la monnaie canadienne subit des pressions à la hausse et vend des devises (en achetant des dollars canadiens) lorsque notre monnaie subit des pressions à la baisse.

En 1994-95, les opérations de change ont dégagé des ressources nettes de \$4,8 milliards, contre \$3,1 milliards en 1993-94. Cette hausse est attribuable à un fléchissement du dollar canadien par rapport aux autres devises en 1994-95.

Tableau 5

Les besoins financiers et la dette

	1994-95	1993-94	1992-93
Déficit budgétaire	-37,5	-42,0	-41,0
Opérations non budgétaires	11,6	12,2	6,5
Opérations de change	4,8	3,1	7,7
Besoins financiers	-21,0	-26,7	-26,8
Hausse de la dette non échue	20,8	26,0	28,9
Variation de l'encaisse	-0,2	-0,7	2,1

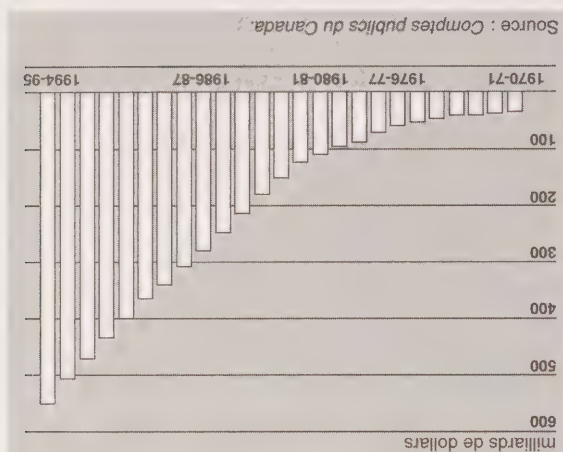
(milliards de dollars)

Dettes portant intérêt

L'ensemble des besoins financiers, soit le déficit budgétaire moins les opérations non budgétaires et les opérations de change, s'est donc établi à \$21,0 milliards en 1994-95, en baisse de \$5,7 milliards par rapport à 1993-94. Il s'agit d'un chiffre qui n'avait pas été observé depuis 1981-82. Pour financer ces besoins, le gouvernement contracte des emprunts sur les marchés ou effectue des prélèvements sur son encaisse. Les emprunts totaux auprès du secteur privé (les opérations de la dette non échue) se sont chiffrés à \$20,8 milliards en 1994-95, en baisse de \$5,2 milliards par rapport à l'exercice précédent. Il faut remonter à 1981-82 pour trouver des emprunts de cet ordre.

La dette portant intérêt, qui comprend la dette non échue et les sommes empruntées aux comptes de pension et aux autres comptes, se chiffrait à \$550,2 milliards au 31 mars 1995, en hausse de \$35,7 milliards par rapport au 31 mars de l'exercice précédent. De ce total, \$16,9 milliards étaient libellés en devises étrangères, contre \$10,7 milliards en mars 1994.

Le montant des titres négociables du gouvernement canadien détenus par des non-résidents atteignait \$107 milliards à la fin de mars 1995, selon les estimations, soit 25 pour cent de la dette totale contractée sur les marchés par le gouvernement.



- les dépenses consacrées aux programmes des Indiens et Inuit par le ministère des Affaires indiennes et du Nord canadien ont augmenté de \$0.5 milliard;
 - les dépenses d'Industrie Canada et des organismes de développement régional ont augmenté de \$0.4 milliard, surtout en raison des dépenses associées au programme des travaux d'infrastructure.
- Les dépenses relatives aux sociétés d'État ont diminué de \$0.3 milliard, surtout en raison de l'amélioration de la situation financière de ces sociétés en 1994-95.
- Les dépenses consacrées à la défense ont baissé de \$0.6 milliard à la suite des réductions annoncées dans le budget de 1994.
- Les autres dépenses de programmes comprennent les frais de fonctionnement de l'administration fédérale et le coût des services spécifiques fournis au public, par exemple :
- les soins de santé dispensés aux autochtones et aux anciens combattants;
 - les recherches effectuées par les fonctionnaires fédéraux;
 - l'exploitation des aéroports et des parcs nationaux;
 - la perception des impôts et taxes;

- l'administration des établissements correctionnels fédéraux et la prestation de services policiers;
 - la mise en oeuvre de programmes, tels que les prestations aux personnes âgées et l'assurance-chômage.
- Les dépenses dans ce domaine ont augmenté de \$0.9 milliard, représentant une affectation ponctuelle de \$2.3 milliards à la réduction de l'emploi dans la fonction publique fédérale au cours des trois prochaines années, un élément clé du budget de 1995. Cette affectation ponctuelle a été partiellement compensée par des réductions du coût des effectifs en 1994-95 par rapport à l'année précédente en raison de la diminution du nombre d'employés et de l'effet continu du gel salarial.
- Les réductions du coût d'emploi de \$2.3 milliards inscrites en 1994-95 comprennent \$0.8 milliard de coûts de pensions éventuels et \$1.5 milliard en encouragements de départ forfaitaires. Il est prévu que ces coûts engendreront une épargne de \$4.2 milliards sur trois ans ainsi qu'une épargne salariale annuelle de \$2.2 milliards les années suivantes. Les frais de départ directs en espèces afférents à la réduction de 45,000 emplois dans la fonction publique fédérale, évalués à \$1.0 milliard dans le budget de 1995, ont été révisés à \$1.5 milliard en fonction des coûts observés jusqu'à présent.

La baisse de \$1,3 milliard des paiements de transfert nets a été attribuable en grande partie aux facteurs suivants :

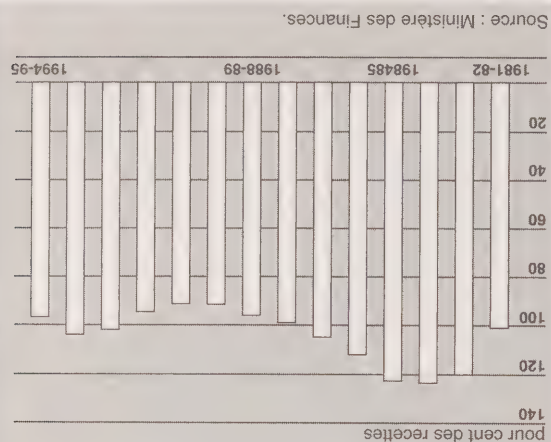
- la diminution des prestations d'assurance-chômage (\$2,8 milliards), due pour environ les trois quarts à une amélioration de la situation de l'emploi, le nombre des personnes admissibles aux prestations ayant baissé de 157,000 en 1994-95, et pour le reste, aux changements structurels annoncés dans l'Exposé économique et financier de décembre 1992 et dans le budget de février 1994;
- la diminution des transferts aux provinces (\$0,9 milliard), surtout en raison du plus faible nombre de demandes présentées en vertu du programme de stabilisation, sous l'effet des chiffres révisés.

L'incidence de ces baisses a été partiellement compensée par les frais ponctuels de \$1,6 milliard associés à l'élimination des subventions versées en vertu de la Loi sur le transport du grain de l'Ouest, annoncée dans le budget de 1995. En vertu des principes comptables appliqués par le gouvernement, de tels frais doivent être comptabilisés au cours de l'exercice pendant lequel la décision d'orientation est prise.

Parmi les autres transferts :

- les prestations versées aux personnes âgées ont augmenté de \$0,6 milliard, surtout en raison de l'augmentation de la population admissible;

La part des programmes



Le Compte d'assurance-chômage

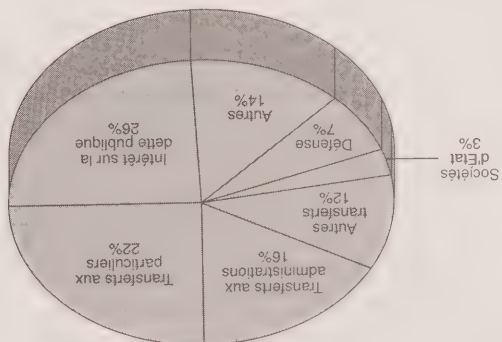
- Les dépenses de programmes peuvent se répartir en plusieurs grandes catégories :
- les paiements de transfert, dont la majeure partie bénéficie aux particuliers et à d'autres administrations publiques, principalement les provinces;
- les dépenses relatives à certaines sociétés d'Etat;
- la défense;
- les dépenses de fonctionnement et d'immobilisation des ministères et organismes autres que la défense.

Les dépenses de programmes en proportion des recettes nettes, soit la « part des programmes », se situaient à 96,3 pour cent en 1994-95, en baisse par rapport au ratio de 103,5 pour cent enregistré l'exercice précédent. Cela signifie que les recettes dépassaient les dépenses de programmes en 1994-95.

Dans le cadre de la Loi sur l'assurance-chômage, les cotisations d'assurance-chômage sont affectées à des dépenses associées, et les opérations sont inscrites dans un compte spécial. Toutefois, les activités du programme d'assurance-chômage étant semblables à celles des ministères, les cotisations d'assurance-chômage et les coûts du programme sont comptabilisés dans les recettes et dépenses du gouvernement fédéral. Les activités annuelles du programme d'assurance-chômage influent directement sur le déficit et la dette nette du gouvernement fédéral.

À la fin de l'exercice financier 1993-94, les déficits successifs au Compte d'assurance-chômage avaient ajouté \$6,6 milliards à la dette nette du gouvernement fédéral. En 1994-95, les recettes provenant des cotisations étaient supérieures aux coûts du programme pour la première fois depuis 1989-90. Le programme d'assurance-chômage a produit un excédent de \$2,8 milliards en 1994-95, ce qui a réduit à payer à \$3,9 milliards. L'excédent annuel était attribuable à une amélioration du marché du travail et à l'incidence des changements structurels annoncés dans les budgets précédents.

Dépenses totales nettes pour 1994-95

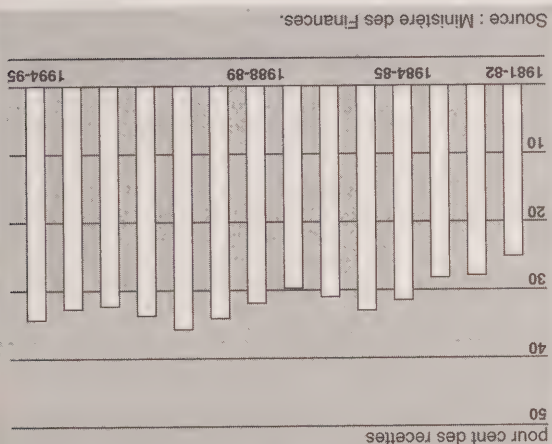


En termes nets, les dépenses budgétaires ont augmenté de \$2,8 milliards, soit de 1,8 pour cent, totalisant \$160,8 milliards. La baisse plus marquée des dépenses brutes est attribuable à la diminution des dépenses au titre de l'impôt sur le revenu en 1994-95.

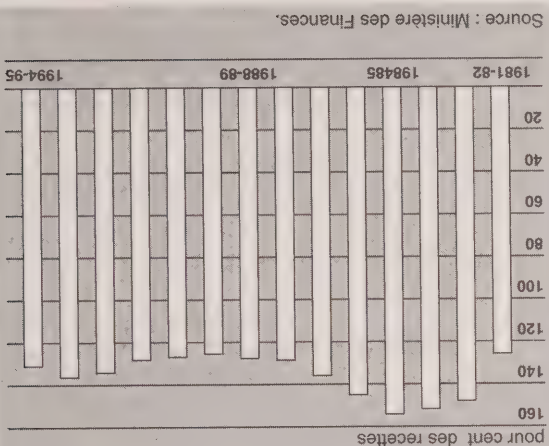
Les dépenses budgétaires nettes en proportion des recettes budgétaires nettes, soit le « ratio des dépenses », s'établissaient à 130,4 pour cent, contre 136,2 pour cent en 1993-94. Cela signifie qu'en 1994-95 le gouvernement a dû financer par emprunt l'équivalent de 30 pour cent de ses recettes.

Les frais de la dette publique ont augmenté de \$4,1 milliards, ou de 10,7 pour cent, en 1994-95. Cette augmentation est due en partie (environ \$3,0 milliards) au gonflement de la dette portant intérêt (dette non échue et passif au titre des pensions), en hausse de \$35,7 milliards, et à la hausse des taux d'intérêt en 1994-95. Le taux d'intérêt effectif moyen sur la dette portant intérêt se situait à 7,7 pour cent en 1994-95, contre 7,5 pour cent au cours de l'exercice précédent. En proportion des recettes budgétaires, les frais de la dette publique sont passés de 32,7 pour cent en 1993-94 à 34,1 pour cent en 1994-95. Cela signifie qu'en 1994-95 le gouvernement a dépensé 34 cents de chaque dollar de recettes pour payer les intérêts de la dette publique.

La part de l'intérêt



Le ratio des dépenses



Les dépenses de programmes nettes, c'est-à-dire les dépenses budgétaires nettes diminuées des frais de la dette publique, ont baissé de \$1,3 milliard, soit de 1,1 pour cent, en 1994-95. Cette baisse aurait été plus marquée sans les frais de restructuration de \$3,9 milliards associés aux mesures du budget de février 1995. Il s'agit de la deuxième baisse consécutive des dépenses de programmes.

LES DÉPENSES BUDGÉTAIRES

Le tableau 4 présente les dépenses budgétaires en chiffres bruts et en chiffres nets. Les dépenses budgétaires brutes comprennent certaines dépenses déterminées par le biais du régime fiscal, par exemple la prestation fiscale pour enfants et le crédit pour TPS aux contribuables à revenu modeste. Les chiffres bruts ne comprennent pas certaines recettes directement liées aux services fournis, qui sont inscrites directement au crédit du ministère qui assure la prestation du service.

Tableau 4

Dépenses budgétaires

	1994-95	1993-94
Brutes	Nettes	Brutes
		Nettes

(millions de dollars)

Principaux transferts aux particuliers	20,143	20,511	19,578	17,626	19,903
Prestations de sécurité de la vieillesse	14,815	14,815	17,626	17,626	17,626
Prestations d'assurance-chômage	8,137	0	9,154	0	0
Préstation fiscale pour enfants/crédit pour TPS	43,096	35,326	46,358	37,529	37,529
Transferts aux autres administrations	10,177	10,177	9,610	9,610	9,610
Accords fiscaux	9,549	9,156	11,031	10,649	10,649
Régime d'assurance publique du Canada	7,266	7,266	7,236	7,236	7,236
Autres transferts	26,992	26,599	27,877	27,495	27,495
Agriculture	1,355	1,355	1,429	1,429	1,429
Affaires indiennes et Nord canadien	3,558	3,558	3,023	3,023	3,023
Industrie Canada/organismes de développement régional	2,236	2,236	1,805	1,805	1,805
Développement des ressources humaines	2,477	2,477	2,192	2,192	2,192
Affaires étrangères	2,544	2,544	2,380	2,380	2,380
Autres	7,945	7,945	7,515	7,515	7,515
Total	20,115	20,115	18,344	18,344	18,344
Total des transferts	90,203	82,040	92,579	83,368	83,368
Dépenses des sociétés d'État	1,987	1,987	1,945	1,945	1,945
Société canadienne d'hypothèques et de logement	1,093	1,093	1,090	1,090	1,090
Autres	2,661	1,923	2,878	2,263	2,263
Total	5,741	5,003	5,913	5,298	5,298
Défense	6,042	6,042	5,744	5,744	5,744
Personnel	2,535	2,535	2,571	2,571	2,571
Autres dépenses de fonctionnement	2,486	2,116	3,283	2,967	2,967
Total	11,063	10,693	11,598	11,282	11,282
Dépenses de tous les autres ministères	12,910	12,910	12,987	12,987	12,987
Personnel	1,849	1,849	2,100	2,100	2,100
Immobilisations	8,729	6,244	7,213	4,979	4,979
Autres de fonctionnement	23,488	21,003	22,310	20,066	20,066
Total	130,495	118,739	132,400	120,014	120,014
Total des dépenses de programmes	42,046	42,046	37,982	37,982	37,982
Frais de la dette publique	172,541	160,785	170,382	157,996	157,996
Total des dépenses budgétaires					

Les sommes totales perçues au titre des taxes et droits d'accise ont augmenté de \$0.5 milliard, soit de 1.7 pour cent.

- Les sommes perçues au titre de la taxe sur les produits et services (TPS) ont augmenté de 6.9 pour cent d'une année sur l'autre, principalement grâce à une forte demande de biens durables en 1994.

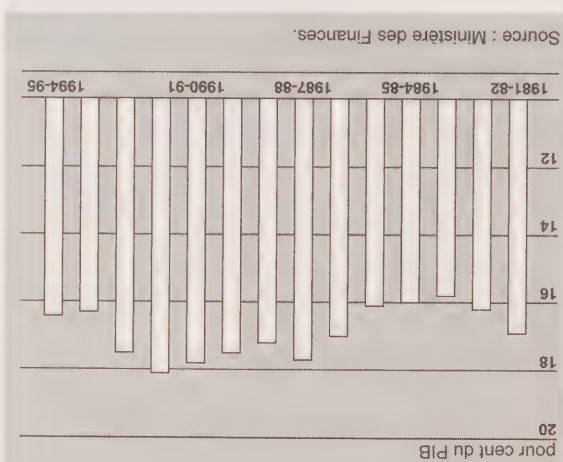
- Les taxes sur l'énergie ont augmenté de 5.1 pour cent, à cause de la reprise de l'activité économique en 1994.
- Les droits de douane à l'importation ont diminué un peu, car la forte croissance des importations en 1994 a été plus que compensée par les réductions tarifaires découlant des ententes internationales.

- Toutefois, les autres taxes et droits d'accise ont régressé de 20.4 pour cent, surtout en raison de la réduction de la taxe d'accise sur le tabac annoncée le 8 février 1994.

La baisse de \$1.0 milliard des recettes non fiscales a été due pour une large part à la diminution marquée des profits du Compte du fonds des changes en 1994-95.

- Les profits du Compte du fonds des changes comprennent surtout les intérêts sur les réserves de devises, les gains et pertes d'évaluation qui découlent des fluctuations de change et du produit net des ventes d'or. Les profits du Compte du fonds des changes ont totalisé \$1.8 milliard en 1994-95, soit \$1.1 milliard de moins que l'exercice précédent. Cette baisse était attribuable au produit net des ventes d'or moins élevé et à des gains d'évaluation inférieurs, le fléchissement du dollar canadien ayant été moins prononcé en 1994-95.

La part des impôts et taxes



En proportion du PIB, les recettes nettes, soit la « part des impôts et taxes », sont passées à 16,4 pour cent, enregistrant une légère hausse par rapport à 1993-94. Toutefois, ce ratio est nettement inférieur à celui des exercices précédents, en bonne partie du fait que le coût de la prestation fiscale pour enfants a été déduit des sommes perçues au titre de l'impôt des particuliers. Les principales composantes des recettes budgétaires sont :

- les sommes perçues au titre de l'impôt sur le revenu des particuliers;
- les sommes perçues au titre de l'impôt sur les bénéfices des sociétés;
- les autres sommes perçues au titre des impôts directs, surtout l'impôt des non-résidents;
- les cotisations d'assurance-chômage;
- la taxe sur les produits et services;
- les taxes de vente et d'accise, qui comprennent les droits de douane à l'importation, les taxes d'accise sur les carburants et les autres taxes et droits d'accise, principalement sur le tabac et les produits du tabac;
- les recettes non fiscales, qui se composent des revenus de placements et de recettes non fiscales diverses.

Les sommes nettes perçues au titre de l'impôt sur le revenu des particuliers ont augmenté de \$4,9 milliards, soit de 9,5 pour cent, par rapport à 1993-94. Cette augmentation est attribuable à une reprise de l'activité économique et à l'influence de facteurs spéciaux qui avaient fait baisser les rentrées en 1993-94, notamment :

- un traitement plus rapide en mars 1994 des déclarations des contribuables pour 1993, ce qui a eu pour effet de faire passer à l'exercice antérieur des déclarations qui auraient été traitées au premier trimestre de 1994-95
- des coûts ponctuels associés en 1993-94 à la restructuration du régime de prestations pour enfants – les prestations sont maintenant versées tous les mois. Avant 1994-95, une partie de la prestation était accordée au moment de la production des déclarations et incluse dans le montant du remboursement (\$1,2 milliard);
- des transferts à caractère extraordinaire au compte des accords de perception fiscale avec les provinces en 1993-94, à cause des paiements insuffisants faits à l'égard de l'année d'imposition 1993 (montant net de \$0,6 milliard).

Si l'on exclut ces facteurs ponctuels, les sommes perçues au titre de l'impôt sur le revenu des particuliers ont augmenté parallèlement à la progression des revenus personnels. Les rentrées d'impôt sur les bénéfices des sociétés ont augmenté de \$2,2 milliards, soit de 22,9 pour cent, ce qui correspond à la progression des bénéfices des sociétés.

Les cotisations d'assurance-chômage ont augmenté de \$0,7 milliard sous l'effet d'une légère majoration des taux de cotisation en 1994, du relèvement du maximum des gains assurables et de la hausse de l'emploi.

LES RECETTES BUDGÉTAIRES

Le tableau 3 présente les recettes budgétaires à la fois en chiffres « nets » et en chiffres « bruts ». Les résultats bruts reflètent davantage l'évolution fondamentale de l'économie, tandis que les chiffres nets correspondent à la manière dont les résultats sont présentés au Parlement. La différence entre les deux séries de chiffres est due principalement à deux facteurs :

- certaines dépenses déterminées par le biais du régime fiscal, par exemple la prestation fiscale pour enfants (dont le coût est déduit des rentrées d'impôt sur le revenu des particuliers) et le crédit pour TPS aux contribuables à revenu modeste (qui est porté en déduction du produit de la TPS); et

- certaines recettes qui sont portées au crédit des ministères pour des services particuliers, comme la taxe sur les transports aériens (dont le produit est déduit des dépenses de navigation aérienne).

Les recettes budgétaires brutes se sont élevées à \$135.1 milliards en 1994-95, en hausse de 5.2 pour cent (\$6.7 milliards) par rapport à l'exercice précédent. Cette hausse des recettes est due à une reprise de l'activité économique de même qu'à certains facteurs spéciaux qui avaient fait baisser les recettes en 1993-94.

Tableau 3

Recettes budgétaires

1994-95		1993-94	
Brutes	Nettes	Brutes	Nettes
(millions de dollars)			
Impôt sur le revenu :			
Impôt sur le revenu des particuliers	61,676	57,953	51,427
Impôt sur les bénéfices des sociétés	11,604	9,444	9,444
Autres	1,769	1,593	1,593
Total des recettes	75,049	69,702	62,464
Cotisations à l'assurance-chômage	18,928	18,928	18,233
Taxes et droits d'accise	19,602	16,786	15,696
Taxe sur les produits et services	3,575	3,575	3,652
Droits de douanes à l'importation	7,317	6,728	7,287
Taxes sur l'énergie/autres	30,494	27,089	29,850
Total des taxes et droits d'accise	124,471	115,719	117,073
Total des recettes fiscales	10,608	7,604	8,652
Recettes non fiscales	135,079	123,323	128,370
Total des recettes	135,079	123,323	128,370

Les principales variables économiques qui se répercutent sur les résultats financiers du gouvernement fédéral sont le revenu des particuliers, le taux de chômage, les bénéfices des sociétés, la consommation et les taux d'intérêt.

Le revenu des particuliers, c'est-à-dire l'assiette de l'impôt direct des personnes physiques, a progressé de 2.2 pour cent en 1994, soit un peu plus que l'année précédente (1.9 pour cent). Le revenu du travail, qui représente 63.4 pour cent du revenu total des particuliers, a augmenté de 3.0 pour cent, contre 1.7 pour cent en 1993. Cette augmentation en 1994 a été due en majeure partie à la hausse de l'emploi, après une progression de 2.1 pour cent en 1994 et de 1.3 pour cent en 1993. Étant donné que plus de 80 pour cent de la progression de l'emploi était due à une hausse du travail à temps plein, la croissance moyenne du revenu a été plus forte en 1994 qu'en 1993. Par emploi, le revenu du travail s'est accru de 0.9 pour cent en 1994, contre 0.3 pour cent seulement en 1993.

Parmi les autres composantes du revenu des particuliers, le revenu net des entreprises non constituées en société s'est élevé de 2.5 pour cent, contre 7.3 pour cent en 1993. Les intérêts et autres revenus de placements ont augmenté de 5.4 pour cent, après avoir reculé les trois années précédentes, sous l'effet de la hausse des taux d'intérêt au cours de l'année.

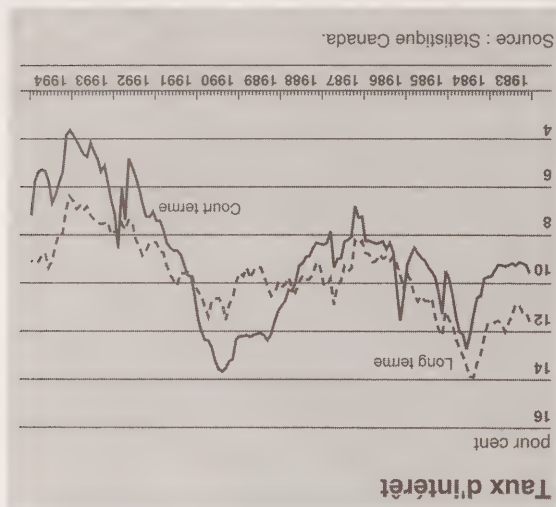
La forte progression de l'emploi en 1994 a donné lieu à une baisse marquée du taux de chômage, qui est passé de 11.2 pour cent en 1993 à 10.4 pour cent en 1994. Cette baisse résulte également d'une

nouvelle diminution du taux d'activité, qui n'est pas encore remonté malgré la reprise de l'emploi au terme de la récession.

Contrastant avec la faible croissance du revenu des particuliers, les bénéfices des sociétés ont grimpé de 36.1 pour cent en 1994, après avoir enregistré une croissance de 20.2 pour cent en 1993. Leur redressement est imputable à un meilleur contrôle des coûts, à une amélioration de la productivité, à la hausse des prix des exportations sous l'effet tant de l'augmentation du cours mondial des produits de base que du fléchissement du dollar canadien (qui a fait monter les prix exprimés dans cette devise sur les marchés mondiaux). Néanmoins, les bénéfices des sociétés étaient encore inférieurs de 11.3 pour cent en 1994 à leur record de 1988.

Les dépenses des particuliers en biens de consommation et en services, qui représentent approximativement l'assiette de la taxe sur les produits et services (TPS) et des autres impôts indirects, ont augmenté de 3.7 pour cent en 1994, contre 3.3 pour cent en 1993. Les dépenses consacrées aux biens durables ont augmenté de 7.5 pour cent, la hausse étant de 9.0 pour cent pour les automobiles.

Les taux d'intérêt ont augmenté tout au long de 1994, tandis que le fléchissement du dollar canadien s'est modéré. De janvier à décembre 1994, le taux des bons du Trésor à 3 mois est passé de 3.63 pour cent à 7.14 pour cent et le taux des obligations de référence à 10 ans du gouvernement a gagné 268 centièmes. Le dollar canadien a perdu 5.2 pour cent par rapport au dollar américain pendant la même période.



Croissance du PIB nominal

pour cent

Source : Statistique Canada.

L'ÉVOLUTION ÉCONOMIQUE EN 1994

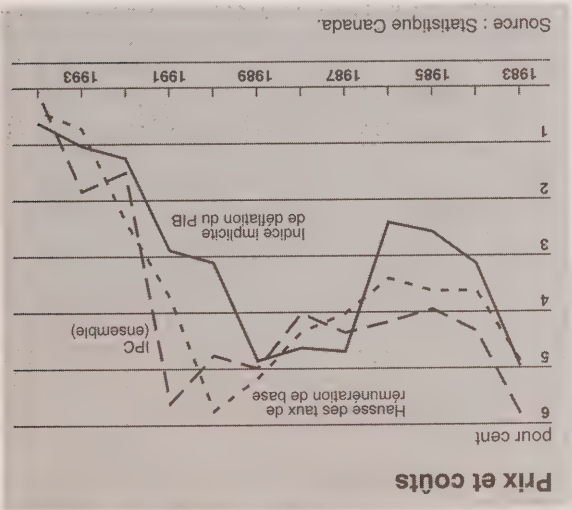
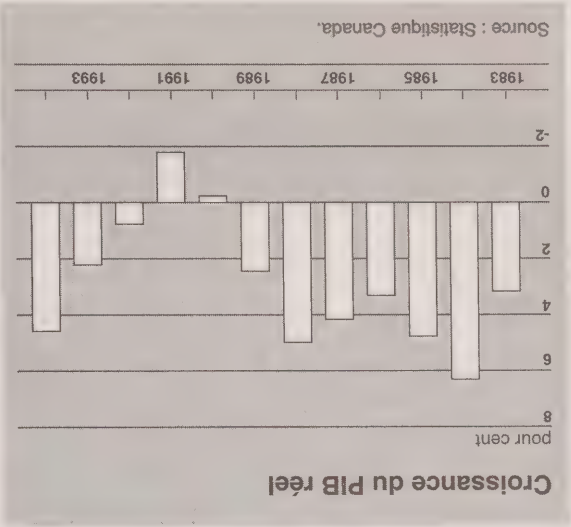
Les principaux facteurs qui influent sur les résultats financiers de l'État sont l'évolution de la conjoncture économique, l'interaction du régime fiscal et de cette évolution, ainsi que l'incidence des mesures budgétaires.

Cette section décrit brièvement l'évolution économique observée en 1994.

L'économie a progressé à un rythme soutenu en 1994. Le PIB réel – c'est-à-dire après correction de l'inflation – a progressé de 4,6 pour cent, après avoir augmenté de 2,2 pour cent en 1993 et de 0,8 pour cent en 1992.

L'expansion économique enregistrée en 1994 a été permise par l'accroissement des dépenses des consommateurs et une reprise des investissements en construction domiciliaire et non domiciliaire. La hausse des exportations et des investissements en machines, qui avait été le moteur de la reprise, s'est maintenue en 1994. Les exportations ont été favorisées par le fléchissement du dollar canadien, l'amélioration notable de la compétitivité des entreprises canadiennes et la forte croissance de la demande sur les marchés étrangers. L'augmentation des exportations en 1994 a été la plus importante de tous les temps, tant en volume qu'en valeur.

L'inflation est demeurée faible en 1994, malgré le fléchissement du dollar canadien et son effet sur les prix des importations. L'indice des prix à la



consommation (IPC) a augmenté de 0,2 pour cent en 1994, contre une hausse de 1,8 pour cent en 1993. Ce ralentissement de l'inflation a été dû en bonne partie à la réduction des taxes fédérales et provinciales sur les produits du tabac au début de 1994. L'indice de déflation du PIB, un indicateur plus général de l'inflation dans tous les secteurs de l'activité économique, ne s'est accru que de 0,6 pour cent en 1994, le taux d'augmentation le plus faible depuis 1961.

Tableau 2

Principaux indicateurs économiques

1994	1993	(variation en pourcentage d'une année sur l'autre, sauf indication contraire)
2,2	4,6	PIB réel
0,2	1,8	Inflation: IPC
0,6	1,1	Indice de déflation du PIB
5,2	3,3	PIB nominal
2,2	1,9	Revenu des particuliers
3,0	1,7	Revenu du travail
36,1	20,2	Bénéfices des sociétés
3,7	3,3	Dépenses taxables des particuliers en biens et services
2,1	1,3	Emploi
5,4	4,9	Taux d'intérêt: Bons du Trésor à 3 mois (%)
8,4	7,2	Obligations de référence à 10 de l'État (%)

- une baisse des dépenses relatives aux budgets de fonctionnement et d'immobilisation des sociétés d'État, de la défense et des autres ministères, en raison des mesures d'austérité annoncées dans le budget.

Ces baisses ont été compensées partiellement par les frais de restructuration, qui ont totalisé \$3.9 milliards en 1994-95, contre \$0.7 milliard un an auparavant.

La hausse des frais de la dette publique était essentiellement attribuable à l'augmentation de la dette portant intérêt, en hausse de \$35.7 milliards. Le taux effectif moyen d'intérêt sur la dette portant intérêt est passé de 7.5 pour cent en 1993-94 à 7.7 pour cent en 1994-95.

- une baisse de \$0.6 milliard, soit 7.7 pour cent, des autres taxes et droits d'accise, attribuable en grande partie à la réduction de la taxe d'accise sur le tabac annoncée le 8 février 1994.

Les facteurs suivants ont contribué dans une large mesure à la diminution des dépenses de

programmes :

- une baisse des prestations versées au titre de l'assurance-chômage (\$2.8 milliards, ou 15.9 pour cent), grâce à la forte reprise de l'emploi et aux mesures de restructuration annoncées dans le budget;

- une baisse des transferts aux provinces (3.3 pour cent), attribuable principalement à la baisse de la dette reliée aux de demandes de paiement présentées en vertu du programme de stabilisation;

Le déficit en baisse par rapport à 1993-94

Le déficit a diminué de \$4,5 milliards entre 1993-94 et 1994-95. Les recettes ont augmenté de \$7,3 milliards, ou 6,3 pour cent, tandis que les dépenses de programmes ont baissé de \$1,3 milliard, ou 1,1 pour cent. Ces influences ont été compensées à peu près pour moitié par la hausse de \$4,1 milliards (10,7 pour cent) des frais de la dette publique. Les facteurs suivants ont contribué à la hausse des recettes budgétaires :

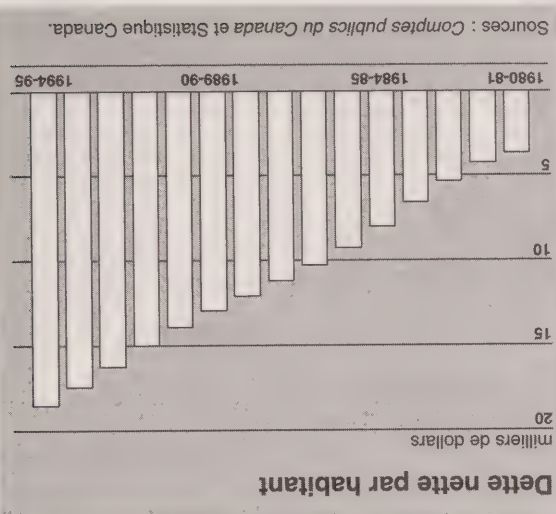
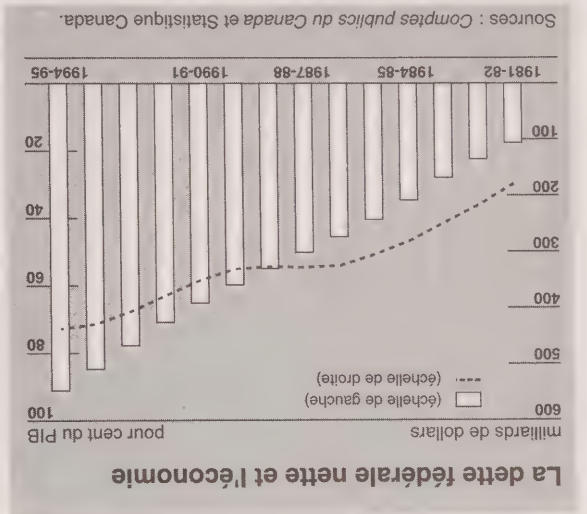
- une augmentation des impôts des particuliers (\$4,9 milliards, ou 9,5 pour cent), dont \$3,0 milliards sont imputables à des facteurs ponctuels spéciaux qui ont réduit les perceptions de 1993-94;
- une augmentation de \$2,2 milliards, ou 22,9 pour cent, des impôts sur les bénéfices des sociétés attribuable à la rentabilité accrue de ces dernières;
- une augmentation de \$1,1 milliard, ou 6,9 pour cent, des sommes perçues au titre de la taxe sur les produits et les services (TPS), ce qui traduit la vigueur de la consommation;
- une baisse de \$1,0 milliard, ou 12,1 pour cent, des recettes non fiscales en raison surtout de la baisse des profits du Compte du fonds des changes;

La baisse du déficit, de \$42,0 milliards en 1993-94 à \$37,5 milliards en 1994-95, et la croissance économique vigoureuse enregistrée en 1994 ont entraîné une baisse marquée du déficit par rapport à la production économique annuelle du Canada (le PIB), ce ratio étant passé de 5,9 pour cent en 1993-94 à 5,0 pour cent en 1994-95.

La dette publique

La part du déficit revenant à chaque Canadien adulte ou enfant s'élevait à \$1,268 (contre \$1,440 l'année précédente). Cela correspondait à des dépenses fédérales de \$5,444 et à des recettes de \$4,176 par personne. Le déficit enregistré en 1994-95 a porté la dette publique nette du gouvernement fédéral, la somme cumulative des déficits et des excédents annuels, à \$545,7 milliards.

- En proportion de l'économie du Canada, ce déficit cumulé a atteint 72,8 pour cent, contre 71,3 pour cent en 1993-94. Dix ans plus tôt, le ratio dette-PIB s'établissait à 46,8 pour cent.
- Par personne, la dette publique se situait à \$18,477 par Canadien à la fin de 1994-95, contre \$17,419 un an auparavant.



FAITS SAILLANTS DU RAPPORT

Le déficit fédéral s'est élevé à \$37,5 milliards pour l'exercice 1994-95. Ce chiffre représente la différence entre des dépenses budgétaires de \$160,8 milliards et des recettes budgétaires de \$123,3 milliards. Ce déficit de \$37,5 milliards était :

- inférieur de \$4,5 milliards au déficit de 1993-94, soit \$42,0 milliards;
- inférieur de \$2,2 milliards à la cible de réduction du déficit pour 1994-95 (\$39,7 milliards) établie en février 1994;
- en baisse de \$0,4 milliard par rapport au déficit révisé prévu de \$37,9 milliards pour 1994-95 dans le budget de février 1995.

En 1994-95, les recettes budgétaires ont dépassé les dépenses de programmes, soit les dépenses totales moins les frais d'intérêt, ce qui a entraîné un excédent « de fonctionnement » de \$4,6 milliards. Les deux exercices précédents s'étaient soldés par des déficits de fonctionnement. La réduction du déficit en 1994-95, combinée à l'accroissement des ressources nettes dégagées par les opérations de change, a permis d'enregistrer les besoins financiers et les opérations de la dette non échu les plus faibles depuis 1981-82.

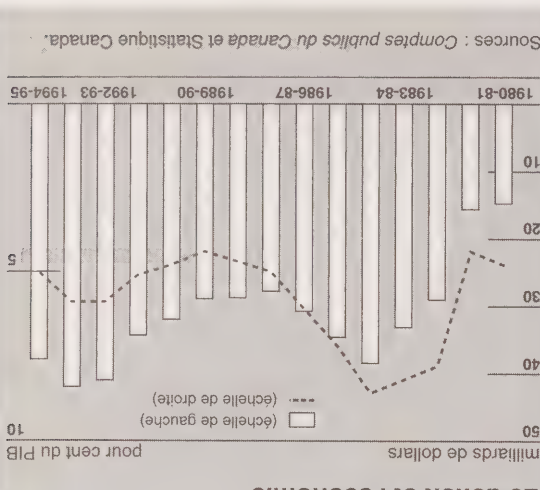
Tableau 1

Aperçu financier

	1994-95	1993-94	1992-93
Résultats de fonctionnement	123,3	116,0	120,4
Recettes	-118,7	-120,0	-122,6
Dépenses de programmes	4,6	-4,0	-2,2
Solde de fonctionnement	42,0	38,0	38,8
Frais de la dette	37,5	42,0	41,0
Déficit	37,2	35,9	35,4
Situation financière			
Actifs financiers	582,9	544,1	501,6
Total du passif	545,7	508,2	466,2
Déficit accumulé			
(Dette publique nette)			
Résultats financiers			
en % de PIB	5,0	5,9	5,9
Déficit	72,8	71,3	67,6
Déficit accumulé			

(milliards de dollars)

Le déficit et l'économie



- L'amélioration de \$2,2 milliards du déficit de 1994-95 par rapport au chiffre de \$39,7 milliards projeté dans le budget de février 1994 est attribuable à plusieurs facteurs, notamment :
- une baisse des dépenses de programmes (de \$1,5 milliard), en dépit de l'inclusion de coûts ponctuels de restructuration découlant des mesures du budget de février 1995;
- toutefois, la baisse des dépenses de programmes a été compensée par des recettes budgétaires inférieures (\$0,6 milliard) et des frais de la dette plus élevés (\$1,0 milliard);
- dans le budget de février 1994, le gouvernement avait constitué une réserve pour éventualités de \$2,4 milliards pour couvrir les répercussions d'une conjoncture économique défavorable sur le déficit. Comme la baisse des dépenses de programmes a compensé en quasi-totalité la diminution des recettes et la hausse des frais de la dette publique, la majeure partie de cette réserve pour 1994-95 n'a pas été utilisée.

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RAPPORT FINANCIER ANNUUEL

du gouvernement du Canada

Exercice 1994-95

Le présent document constitue la deuxième parution du Rapport financier annuel du gouvernement du Canada. Il retrace l'évolution des recettes et des dépenses fédérales pendant l'exercice écoulé (du 1^{er} avril 1994 au 31 mars 1995) et décrit les facteurs qui ont influé sur les résultats enregistrés.

En présentant le rapport, le gouvernement donne suite aux recommandations du vérificateur général et du Comité des comptes publics de la Chambre des communes. Ces derniers sont d'avis, et le gouvernement convient, que les Canadiens ont besoin d'obtenir plus rapidement des renseignements pertinents et intelligibles sur les activités financières de l'État. Ces renseignements sont nécessaires aux citoyens et aux citoyens du Canada pour jouer un rôle actif et efficace dans l'orientation des décisions gouvernementales.

Les données financières du présent rapport sont fondées sur les résultats vérifiés qui apparaîtront dans les Comptes publics du Canada, dont le dépôt à la Chambre des communes est prévu pour cet automne.



Le ministre des Finances,
l'honorable Paul Martin, C.P., député,



Exercice 1994-95

du gouvernement du Canada

RAPPORT
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Publication



ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal year 1995-96





ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal year 1995-96

This, the third edition of the *Annual Financial Report* of the Government of Canada, covers the government's spending and revenue performance for the past fiscal year (April 1, 1995 – March 31, 1996), and discusses the factors affecting these results. Historical data, which in previous years were included in the *Annual Financial Report*, are now presented in a separate document entitled *Fiscal Reference Tables*.

This report responds to recommendations by the Auditor General and the House of Commons Public Accounts Committee. They felt – and the government agreed – that Canadians need more timely access to understandable, relevant information on the government's financial activity. Only with such information can Canada's citizens play an active and effective role in guiding government decision-making.

The financial data in this report are based on the audited results which will appear in the *Public Accounts of Canada*, scheduled for tabling in the House of Commons this fall.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance



Department of Finance
Canada

Ministère des Finances
Canada

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REPORT HIGHLIGHTS

The federal deficit for 1995-96 was \$28.6 billion. This is the shortfall between government budgetary spending of \$158.9 billion and budgetary revenues of \$130.3 billion. The deficit of \$28.6 billion was:

- \$8.9 billion lower than the 1994-95 deficit of \$37.5 billion;
- \$13.4 billion lower than the 1993-94 deficit of \$42.0 billion; and
- \$4.1 billion lower than the deficit target of \$32.7 billion for 1995-96.

For the second consecutive year, budgetary revenues exceeded program spending – total spending less interest charges. This “operating” surplus in 1995-96 was \$18.3 billion, up from the \$4.6 billion recorded in 1994-95.

Developments in financial requirements, excluding foreign exchange transactions, largely mirrored the decline in the deficit, as the net source of funds from non-budgetary transactions remain virtually unchanged from 1994-95. Financial requirements

amounted to \$17.2 billion in 1995-96, down \$8.7 billion from 1994-95.

The government’s fiscal strategy is to set two-year rolling deficit targets, base these targets on prudent economic planning assumptions, and to back these assumptions up with sizeable Contingency Reserves. As in 1994-95, the Contingency Reserve included in the 1995-96 deficit target was not required. This accounted for \$2.5 billion of the \$4.1 billion improvement in the 1995-96 deficit outcome compared to the target of \$32.7 billion, as set out in the February 1995 budget. The remaining difference reflected lower-than-expected public debt charges and program spending, which more than offset lower budgetary revenues.

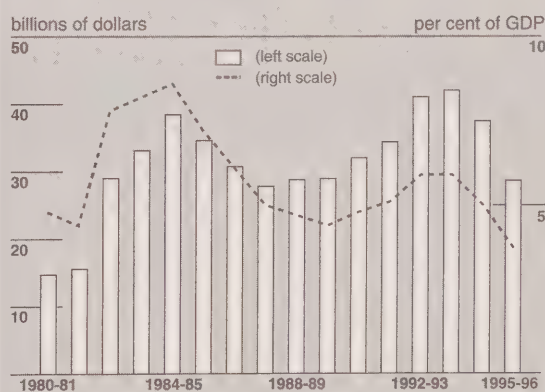
The decline in the deficit from \$37.5 billion in 1994-95 to \$28.6 billion in 1995-96, in combination with modest economic growth in 1995, resulted in a sharp drop in the deficit to economic output (GDP) ratio, from 5.0 per cent in 1994-95 to 3.7 per cent in 1995-96. The ratio in 1995-96 is the lowest since 1976-77.

Table 1

Financial highlights

	1995-96	1994-95	1993-94
	(billions of dollars)		
Operating results			
Revenues	130.3	123.3	116.0
Program spending	-112.0	-118.7	-120.0
Operating balance	18.3	4.6	-4.0
Debt charges	-46.9	-42.0	-38.0
Deficit	-28.6	-37.5	-42.0
Non-budgetary transactions	11.4	11.6	12.2
Financial requirements (excl. foreign exchange transactions)	-17.2	-25.8	-29.9
Financial position			
Total liabilities	622.8	582.9	544.1
Financial assets	48.5	37.2	35.9
Accumulated deficit (Net public debt)	574.3	545.7	508.2
Financial results as % of GDP			
Deficit	3.7	5.0	5.9
Accumulated deficit	74.0	73.0	71.3

The deficit and the economy



Source: *Public Accounts of Canada* and Statistics Canada.

Each Canadian's share of the deficit – adults and children – was \$958 – down from \$1,268 in 1994-95. This reflected government spending equal to \$5,323 per person and government revenues equal to \$4,364 from each individual.

The net public debt

The 1995-96 deficit brought the federal government's net public debt – the accumulation of annual deficits and surpluses – to \$574.3 billion.

- This was an increase of 5.2 per cent from 1994-95 – the smallest annual change since 1970-71.
- As a share of Canada's economy, the accumulated deficit reached 74.0 per cent, up from 73.0 per cent in 1994-95. Ten years ago, the debt-to-GDP ratio was 50.8 per cent.

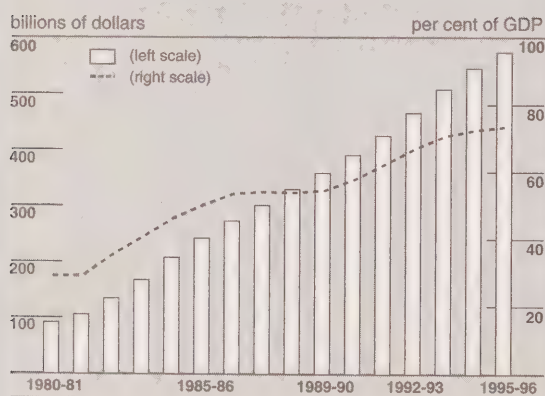
The net public debt at the end of 1995-96 reached \$19,235 for each Canadian – up from \$18,477 a year earlier.

Deficit down from 1994-95

The deficit declined by \$8.9 billion between 1994-95 and 1995-96.

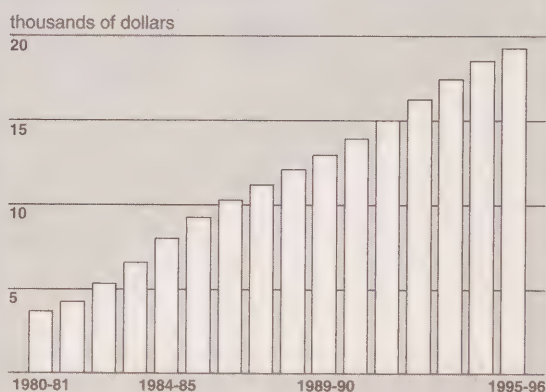
- Revenues increased by \$7.0 billion or 5.7 per cent. About \$4.2 billion of this increase was attributable to higher levels of economic activity, \$1.6 billion was due to measures introduced in the 1994 and 1995 budgets (primarily due to the increases in corporate income tax rates, the increase in the gasoline excise tax, and the elimination of the \$100,000 lifetime capital gains exemption), with the remainder attributable to special one-time factors, such as taxes paid on filings relating to the previous taxation year and recoveries from the Canada Pension Plan Account, due to overpayments made in previous years.
- Program spending declined by \$6.7 billion or 5.7 per cent. All of this decline was attributable to the restraint measures introduced in the 1994 and 1995 budgets.
- In contrast, public debt charges rose by \$4.9 billion (11.6 per cent), reflecting both the increase in the stock of debt and the lagged impact of higher interest rates over the March 1994 to April 1995 period. The average effective interest rate on the interest-bearing debt rose from 7.7 per cent in 1994-95 to 8.1 per cent in 1995-96.

Net federal debt and the economy



Source: Public Accounts of Canada and Statistics Canada.

Net debt per capita



Source: Public Accounts of Canada and Statistics Canada.

ECONOMIC DEVELOPMENTS IN 1995

The main factors affecting the financial results are:

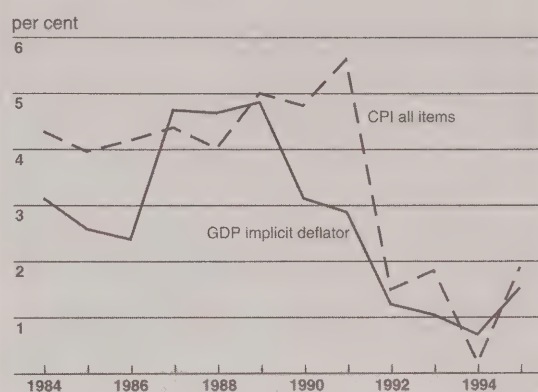
- variations in economic conditions;
- the interaction of the tax system with economic developments; and
- the impact of budget actions.

This section briefly looks at economic developments in 1995.

Economic growth slowed in 1995. Real GDP – which excludes the effect of inflation – grew 2.3 per cent, down from a strong 4.1 per cent pace in 1994. Growth slowed for two main reasons. First, the slowdown in the U.S. economy over the first half of 1995 dampened Canadian exports. Second, Canadian short-term interest rates followed U.S. rates up in late 1994 and early 1995, and the rise in interest rates restrained domestic spending.

Inflation pressures in 1995 remained weak, keeping inflation well within the Bank of Canada's target range of 1 to 3 per cent. The consumer price index (CPI) inflation rate rose to 2.1 per cent in 1995 up from 0.2 per cent in 1994. However, the CPI inflation rate in 1994 was depressed by the reduction in tobacco taxes implemented in February 1994. Excluding this tax effect, CPI

Prices and costs



Source: Statistics Canada.

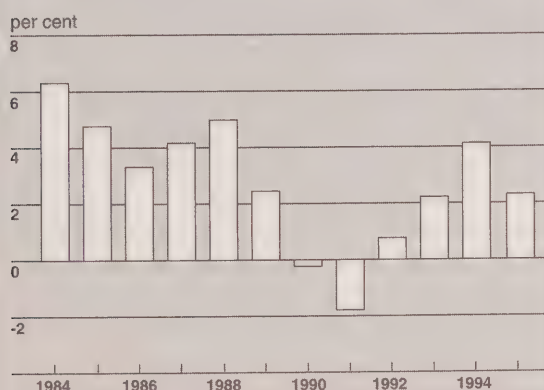
inflation in 1994 was 1.5 per cent, quite close to the inflation rate in 1995. The CPI inflation rate rose early in 1995, largely due to a rise in world commodity prices and the lagged effects of the earlier exchange rate depreciation on consumer prices, but fell back by the end of the year.

Table 2

Key economic indicators

	1995	1994
	(year-to-year per cent change unless otherwise indicated)	
Real GDP	2.3	4.1
Inflation		
CPI	2.1	0.2
GDP implicit price deflator	1.5	0.7
Nominal GDP	3.9	4.8
Personal income	3.3	1.9
Labour income	3.2	2.7
Corporate profits	13.1	34.4
Personal expenditure on goods and services	3.0	3.6
Employment	1.6	2.1
Interest rates		
3-month Treasury bill rate (%)	7.0	5.4
10-year government benchmark rate (%)	8.2	8.4

Real GDP growth



Source: Statistics Canada.

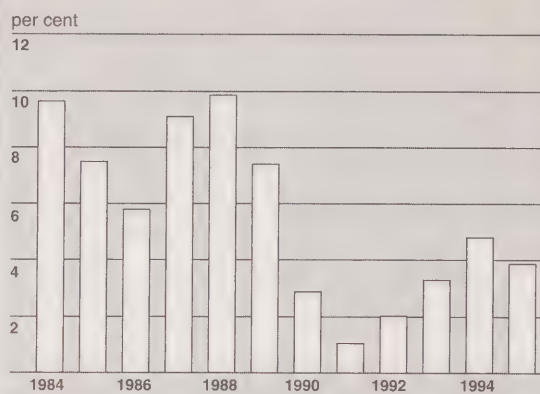
The GDP deflator, the broadest measure of Canadian prices, increased 1.5 per cent in 1995 after rising 0.7 per cent the previous year.

The key economic variables affecting the federal government's financial results are personal income, the unemployment rate, corporate profits, consumer demand and interest rates.

Personal income, the tax base for personal income tax collections, advanced by 3.3 per cent in 1995, up significantly from the 1.9 per cent growth experienced in 1994. About 60 per cent of the increase in personal income came from higher labour income. Labour income increased by 3.2 per cent in 1995, up from 2.7 per cent in 1994. Employment and wage gains contributed roughly equally to labour income growth in 1995. Employment was up 1.6 per cent in 1995, somewhat slower than the 2.1 per cent growth recorded in 1994. However, labour income per employee rose 1.5 per cent in 1995, compared to only 0.6 per cent growth in 1994.

About one-third of the gain in personal income came from interest and other investment income. Personal interest and investment income rose 9.6 per cent in 1995, up from 1.0 per cent the previous year. As well, unincorporated business income grew 1.6 per cent in 1995, down from 2.3 per cent in 1994.

Nominal GDP growth

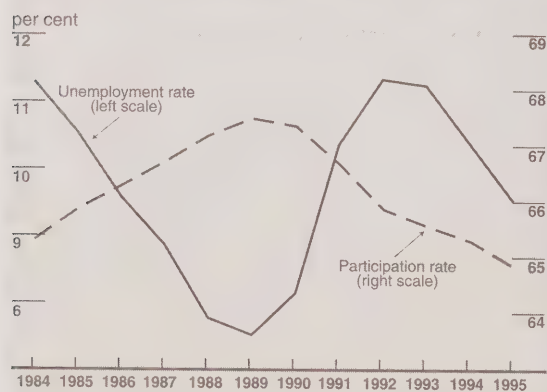


Source: Statistics Canada.

The unemployment rate fell in 1995, as employment growth outstripped labour force growth. The unemployment rate averaged 9.5 per cent in 1995, down from 10.4 per cent in 1994. Labour force growth slowed in 1995, reflecting the continued decline in the labour force participation rate.

Corporate profits increased 13.1 per cent in 1995, after increasing 34.4 per cent in 1994. The continued profit growth reflected excellent cost control, increased productivity, higher export prices and a slight depreciation in the Canadian dollar (which raised prices set in world markets when expressed in Canadian dollars). Profit's share of GDP rose to 8.2 per cent in 1995, well above its trough of 4.9 per cent at the end of 1991, but still below its long-run average from 1961 to 1994 of 10.0 per cent.

Unemployment and participation rates

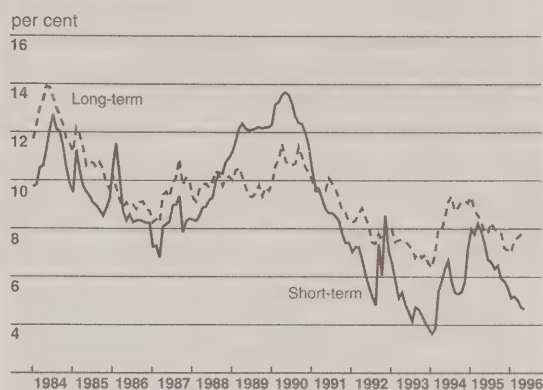


Source: Statistics Canada.

The value of personal spending on goods and services, a proxy for the applicable tax base for the Goods and Service Tax and other indirect taxes, advanced by 3.0 per cent in 1995, down slightly from the 3.6 per cent increase recorded in 1994. Growth in spending on durable and semi-durable goods slowed in 1995, while remaining largely unchanged on services and increasing on non-durables.

Short-term interest rates increased to an average of 7.0 per cent in 1995 from 5.4 per cent in 1994, partly in response to higher U.S. rates. Short-term interest rates peaked at 8.3 per cent in March 1995 but finished the year at 5.5 per cent. The 10-year government benchmark rate, which fell about 2 percentage points over the course of 1995, averaged 8.2 per cent in 1995 compared to 8.4 per cent in 1994. The Canadian dollar averaged 72.85 U.S. cents during 1995, slightly below the average value of 73.21 recorded in 1994. However, the exchange rate rose during 1995; it stood at 73.3 U.S. cents at the end of 1995, up about 2 U.S. cents from its value at the end of 1994.

Interest rates



Source: Statistics Canada.

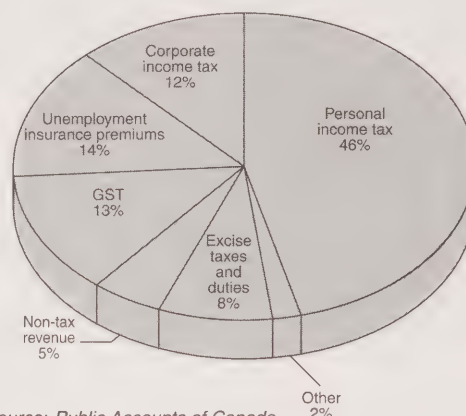
BUDGETARY REVENUES

Table 3 shows budgetary revenues on both a budget or "net" basis as well as on a "gross" basis. The results on a gross basis are often more reflective of the underlying economic developments, whereas the net figures reflect the way in which the figures are presented to Parliament. The difference primarily relates to two factors:

- certain expenditures determined through the income tax system, such as the Child Tax Benefit (which is netted from personal income tax collections) and the low-income GST Credit (which is netted from GST collections); and
- certain revenues that are credited back to departments for specific services, such as the Air Transportation Tax (which is netted from air navigation expenditures).

Budgetary revenues, on a gross basis, amounted to \$142.5 billion in 1995-96, an increase of \$7.4 billion, or 5.5 per cent, from the level reported in 1994-95. The strength in revenues in 1995-96 primarily reflects the improvement in economic activity.

Net revenue for 1995-96



Source: Public Accounts of Canada.

On a net basis, budgetary revenues amounted to \$130.3 billion, an increase of \$7.0 billion, or 5.7 per cent from the 1994-95 level. The somewhat stronger growth in net collections, compared to gross collections, was attributable to a decline in tax expenditures in 1995-96 from the level reported in 1994-95.

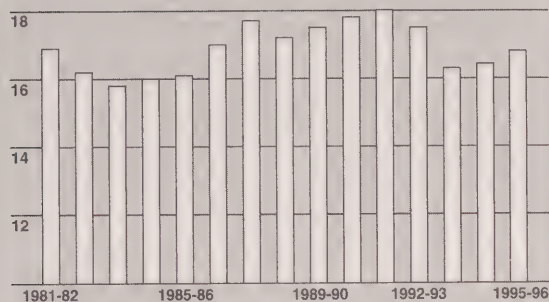
Table 3

Budgetary revenues

	1995-96		1994-95	
	Gross	Net	Gross	Net
(millions of dollars)				
Income tax collections				
Personal income tax	65,195	60,167	61,676	56,329
Corporate income tax	15,955	15,955	11,604	11,604
Other	2,105	2,105	1,769	1,769
Total income tax	83,255	78,227	75,049	69,702
Unemployment insurance premiums	18,510	18,510	18,928	18,928
Excise taxes and duties				
Goods and Services Tax	19,174	16,375	19,602	16,786
Customs import duties	2,969	2,969	3,575	3,575
Energy/other	7,943	7,260	7,317	6,728
Total excise	30,086	26,604	30,494	27,089
Total tax revenue	131,851	123,341	124,471	115,719
Non-tax revenue	10,659	6,960	10,608	7,604
Total revenues	142,510	130,301	135,079	123,323

The tax bite

per cent of GDP
20



Source: Department of Finance.

As a percentage of GDP, net revenue, or the “tax bite” at 16.8 per cent, was up slightly from the 16.5 per cent recorded in 1994-95. Most of this increase was attributable to the strong growth in corporate income tax collections.

The major components of budgetary revenues are:

- personal income tax collections;
- corporate income tax collections;
- other income tax collections, primarily consisting of non-resident taxes;
- unemployment insurance premiums;
- Goods and Services Tax;
- sales and excise taxes and duties, which include customs import duties, excise taxes on motive fuels, and excise taxes and duties, primarily on tobacco and tobacco products; and
- non-tax revenues, which include return on investments and other non-tax revenues.

Personal income tax collections, on a net basis, were up \$3.8 billion, or 6.8 per cent from 1994-95. The higher collections in 1995-96

primarily reflected the improvement in economic activity. Personal income tax collections in 1995-96 were also positively affected by higher taxes paid on filing related to the 1994 taxation year and recoveries from the Canada Pension Plan Account for overpayments in previous fiscal years.

Corporate income tax collections were up \$4.4 billion, or 37.5 per cent, rising above their pre-1990-1991 recession peak. Most of the increase in 1995-96 was attributable to higher corporate profits. Increases in the large corporations tax and corporate surtax, announced in the February 1995 budget, and the recording of certain tax liabilities in 1994-95 resulting from court decisions, also impacted on the overall year-over-year change.

Unemployment insurance premiums declined \$0.4 billion, primarily due to lower premium rates which were reduced in both 1995 and 1996 from their previous year's levels.

Total excise taxes and duties declined \$0.5 billion or 1.8 per cent from year earlier collections.

- Goods and Services Tax (GST) collections were down \$0.4 billion or 2.4 per cent on a year-over-year basis. The decline in net GST collections was largely attributable to timing factors. Total GST received, prior to the payment of refunds, rebates, and the quarterly low-income credit, were up 3.6 per cent, in line with the growth in retail sales. However, refunds and rebates were up 11.0 per cent, primarily reflecting lags in the processing of refunds and rebates pertaining to 1994-95.
- Customs import duties were down 17.0 per cent, as the growth in imports in 1995 was more than offset by reductions in tariffs as specified under international agreements.
- Energy taxes rose 15.2 per cent, largely reflecting the increase in excise rates announced in the February 1995 budget.

- Other excise taxes and duties, which primarily consist of taxes and duties on tobacco and alcoholic products, were virtually unchanged from 1994-95, as the effect of increases in tax rates on tobacco producers offset declines in other components.

Non-tax revenues were \$0.6 billion lower, due largely to much lower Exchange Fund Account revenues.

- The revenues of the Exchange Fund Account are comprised primarily of interest on foreign currency reserves, the valuation gain or loss stemming from exchange rate developments and net proceeds from the sale of gold. Exchange Fund revenues in 1995-96 amounted to \$1.1 billion, \$0.7 billion lower than recorded in 1994-95. The lower revenues were attributable to lower net proceeds from the sale of gold.

BUDGETARY EXPENDITURES

Table 4 presents budgetary expenditures on both a gross and net basis. Gross budgetary expenditures include certain expenditures that are determined through the income tax system, such as the Child Tax Benefit and Low-Income GST Credit. In addition, gross expenditures exclude certain revenues which are directly related to the services being provided, which on a net basis are credited directly to the department providing the service.

Total budgetary expenditures, on a gross basis, by the federal government amounted to \$171.1 billion in 1995-96, a decline of \$1.4 billion or 0.8 per cent from 1994-95. Gross program spending fell by \$6.3 billion. In contrast, public debt charges increased by \$4.9 billion.

Table 4

Budgetary expenditures

	1995-96		1994-95	
	Gross	Net	Gross	Net
(millions of dollars)				
Transfer payments to persons				
Old age security benefits	20,430	21,034	20,143	20,511
Unemployment insurance benefits	13,476	13,476	14,815	14,815
Child Tax Benefit/Low-Income GST Credit	8,014	0	8,138	0
<i>Total</i>	<i>41,920</i>	<i>34,510</i>	<i>43,096</i>	<i>35,325</i>
Transfers payment to other levels of government				
Established Programs Financing	9,480	9,480	10,177	10,177
Fiscal arrangements	10,231	9,814	9,689	9,296
Canada Assistance Plan	7,191	7,191	7,266	7,266
<i>Total</i>	<i>26,902</i>	<i>26,485</i>	<i>27,132</i>	<i>26,739</i>
Other transfer payments				
Agriculture	924	924	1,355	1,355
Indian Affairs and Northern Development	3,664	3,664	3,418	3,418
Industry Canada/Regional Agencies	2,467	2,467	2,236	2,236
Human Resources Development	2,521	2,521	2,477	2,477
Foreign Affairs	2,380	2,380	2,544	2,544
Other	6,187	6,187	7,945	7,945
<i>Total</i>	<i>18,143</i>	<i>18,143</i>	<i>19,975</i>	<i>19,975</i>
Total transfer payments	86,965	79,138	90,203	82,040
Crown corporation expenditures				
Canada Mortgage and Housing Corporation	1,940	1,940	1,987	1,987
Canadian Broadcasting Corporation	1,619	1,170	1,500	1,093
Other	2,481	1,211	2,254	1,923
<i>Total</i>	<i>6,040</i>	<i>4,321</i>	<i>5,741</i>	<i>5,003</i>
Defence				
Personnel	4,225	4,225	5,192	5,192
Capital	2,529	2,529	2,535	2,535
Other operating	3,539	3,181	3,336	2,966
<i>Total</i>	<i>10,293</i>	<i>9,935</i>	<i>11,063</i>	<i>10,693</i>
All other departmental spending				
Personnel	12,522	12,522	13,963	13,963
Capital	1,513	1,513	1,849	1,849
Other operating	6,889	4,584	7,676	5,191
<i>Total</i>	<i>20,924</i>	<i>18,619</i>	<i>23,488</i>	<i>21,003</i>
Total program expenditures	124,222	112,013	130,495	118,739
Public debt charges	46,905	46,905	42,046	42,046
Total budgetary expenditures	171,127	158,918	172,541	160,785

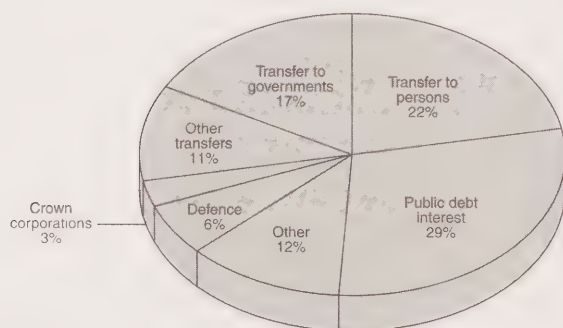
On a net basis, budgetary expenditures amounted to \$158.9 billion, \$1.9 billion, or 1.2 per cent, lower than in 1994-95. The smaller decline in gross expenditures was attributable to higher gross Crown corporation expenditures in 1995-96 than in 1994-95.

As a percentage of net budgetary revenues, net budgetary expenditures, or the "expenditure ratio" stood at 122.0 per cent, down from 130.4 per cent in 1994-95. This implies that an amount of net expenditures in 1995-96 equal to 22 per cent of revenues had to be financed by borrowings.

Public debt charges increased 11.6 per cent, or by \$4.9 billion in 1995-96. Of this increase about \$3.0 billion was due to the increase in interest-bearing debt (unmatured debt and pension liabilities), up \$36.2 billion, with the remainder due to the increase in the average effective interest rate on the government's debt. The average interest rate on the interest-bearing debt in 1995-96 increased to 8.1 per cent, from 7.7 per cent in 1994-95.

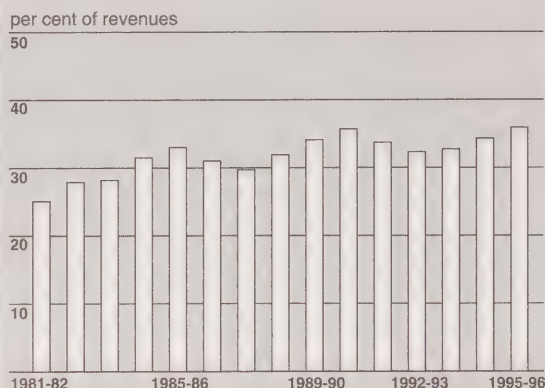
As a percentage of budgetary revenues, public debt charges rose from 34.1 per cent in 1994-95 to 36.0 per cent in 1995-96. This means that the government spent 36 cents of every revenue dollar in 1995-96 for interest on the public debt.

Total net expenditure for 1995-96



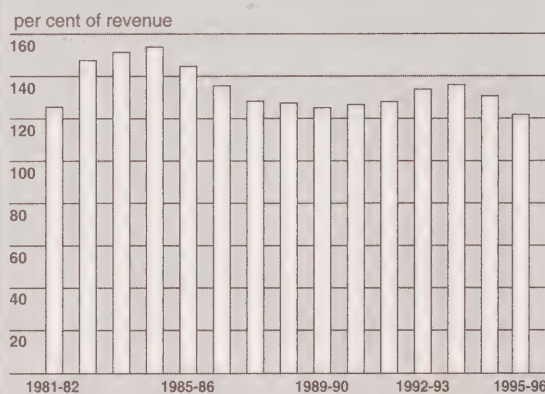
Source: *Public Accounts of Canada*.

The interest bite



Source: Department of Finance.

The expenditure ratio



Source: Department of Finance.

Net program spending – net budgetary expenditures less public debt charges – fell by \$6.7 billion in 1995-96 or by 5.7 per cent. This decline was attributable to the expenditure reduction measures announced in the February 1994 and 1995 budgets. This is the third consecutive year in which program spending has declined.

As a percentage of net revenues, program spending, or the "program share" amounted to 86.0 per cent, down from 96.3 per cent in 1994-95.

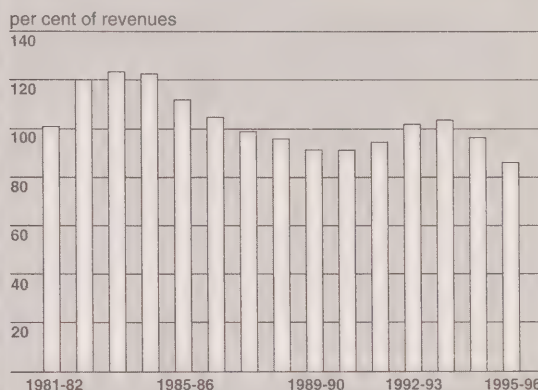
Program spending can be divided into the following components:

- transfer payments, of which the largest portion goes to persons and to other levels of government, particularly to the provinces;
- expenditures related to certain Crown corporations;
- defence; and
- operating and capital costs of government departments and agencies, excluding defence.

Net transfer payments declined by \$2.9 billion or 3.5 per cent in 1995-96, reflecting:

- lower unemployment insurance benefits (down \$1.3 billion). About one-third of this decline was due to the improved labour market situation – the number of unemployed dropped by 74,000 in 1995-96 – with the remainder due to the structural changes announced in the February 1994 budget, including the restructuring of benefit entitlements for new beneficiaries, the increase in minimum entrance requirements from 10 weeks to 12 weeks, and changes to the benefit rate structure.
- lower transfer payments to other levels of government (down \$0.3 billion), due to lower cash transfers under the Canada Assistance Plan and Established Programs Financing (EPF). In the February 1994 budget, entitlements under the Canada Assistance Plan for 1995-96 were frozen at their 1994-95 levels. As part of the entitlement is paid in the form of tax point transfers, which grow in line with the growth in personal income taxes, cash transfers in 1995-96 declined. Entitlements under EPF are also paid in the form of tax point transfers and cash. For 1995-96, total EPF entitlements were legislated to grow in line with the growth in the economy minus three percentage points. With the value of tax transfers growing roughly in line with the economy, cash transfers decline.
- declines in most other transfer payments administered by departments, largely due to the impact of the Program Review reductions

Program share



Source: Department of Finance.

announced in the February 1995 budget. The objective of the Program Review was to review all federal programs in order to bring about the most efficient and cost-effective way of delivering programs and service, appropriate to the federal government's role in the Canadian federation. The Program Review resulted in fundamental reforms to Canada's transport system, to agricultural subsidies, and to subsidies to business. The "other transfer payments" component declined by \$1.8 billion in 1995-96 from the level reported in 1994-95, representing a decline of 9.2 per cent.

Some increases were reported within the transfer component of government spending:

- elderly benefit payments were up \$0.5 billion, primarily reflecting increases in the eligible population;
- increased funding to Indian and Inuit programs by the Department of Indian Affairs and Northern Development (up \$0.2 billion); and
- spending by Industry Canada and the regional agencies was up \$0.2 billion, all of which was due to spending under the Canada Infrastructure Works program. Total spending under this program amounted to \$0.8 billion, double the amount in 1994-95.

Expenditures related to Crown corporations declined \$0.7 billion. This decline was primarily due to the improved financial situation of enterprise Crown corporations in 1995-96.

Defence spending was down \$0.8 billion, reflecting the impact of the 1994 and 1995 budget reductions.

Other program spending includes the costs of government administration and specific services delivered to the public, such as:

- health care to natives and veterans;
- research undertaken by government employees;
- the operation of airports and national parks;
- collection of taxes;

- the operation of federal correctional institutions and provision of police services; and
- the delivery of programs such as elderly benefits and unemployment insurance.

Spending in this area was down \$2.4 billion, or 11.4 cent. This decline was attributable to the 1994 and 1995 budget actions affecting operating and capital spending by departments. In addition, the 1994-95 number included a one-time charge for the cost of reducing employment in the federal public service related to the downsizing measures announced in Program Review.

FINANCIAL REQUIREMENTS AND DEBT

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements are lower than the deficit, as they also include the net source of funds from non-budgetary transactions. These include transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in 1995-96 resulted in a net source of funds amounting to \$11.4 billion, down \$0.2 billion from 1994-95.

As a result, financial requirements, excluding foreign exchange transactions, amounted to \$17.2 billion, down \$8.7 billion from 1994-95. The 1995-96 requirements are the lowest since 1981-82.

Total financial requirements also include the transactions of the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability of the Canadian dollar in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

During 1995-96, there was a net requirement of funds amounting to \$4.7 billion, up from \$1.4 billion in 1994-95.

As a result, total financial requirements were \$21.9 billion in 1995-96, down \$5.4 billion from 1994-95.

To finance these requirements, the government borrows from the private sector and/or draws down its cash reserves. Total borrowings from the private sector (unmatured debt transactions) amounted to \$28.5 billion in 1995-96, up \$1.5 billion from last year. As a result, cash in the bank as of March 31, 1996 stood at \$8.6 billion, up \$6.7 billion from March 31, 1995.

Interest-bearing debt, which includes unmaturing debt and borrowings from pension and other accounts, amounted to \$586.4 billion at March 31, 1996, up \$36.2 billion from March 31, 1995. Of this amount, \$16.8 billion was payable in foreign currencies, down slightly from the level in March 1995.

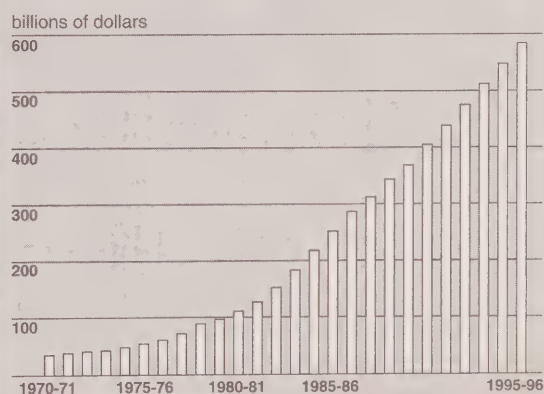
Foreign holdings of the Government of Canada's outstanding market debt are estimated at \$117.3 billion at the end of March 1996. This represented 25.2 per cent of the government's total market debt, virtually unchanged from the previous year.

Table 5

Financial requirements and the debt

	1995-96	1994-95	1993-94
	(billions of dollars)		
Budgetary deficit	-28.6	-37.5	-42.0
Non-budgetary transactions	11.4	11.6	12.2
Financial requirements (excl. foreign exchange transactions)	-17.2	-25.8	-29.9
Foreign exchange account transactions	-4.7	-1.4	-2.1
Financial requirements	-21.9	-27.3	-32.0
Increase in unmaturing debt			
Payable in Canadian currencies	28.7	20.8	26.0
Payable in foreign currencies	-0.1	6.3	5.3
Total	28.5	27.0	31.2
Change in cash balances	6.7	-0.2	-0.7
Cash in bank at year end	8.6	1.9	2.1

Interest-bearing debt

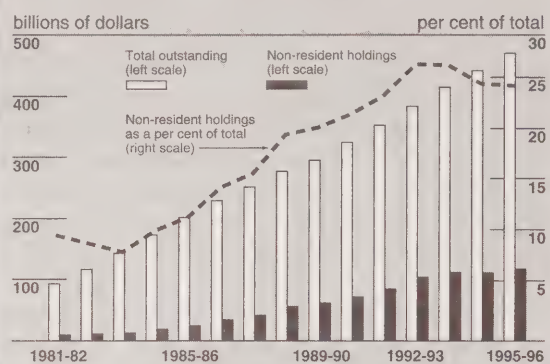


Source: Public Accounts of Canada.

Table 6

Outstanding debt at year end

	1995-96	1994-95	1993-94
	(billions of dollars)		
Interest-bearing debt			
Unmatured debt	469.5	441.0	414.0
Pension and other accounts	116.9	109.2	100.5
Total interest-bearing debt	586.4	550.2	514.5
Other liabilities	36.4	32.7	29.6
Total liabilities (Gross public debt)	622.8	582.9	544.1
Less: Financial assets	48.5	37.2	35.9
Accumulated deficit (Net public debt)	574.3	545.7	508.2

Foreign holdings of Government of Canada debt

Source: Statistics Canada.

THE “SCORECARD”

This section compares the actual outcome for selected economic indicators and for the financial results with the forecasts presented in the February 1995 and March 1996 budgets.

The government's deficit target for 1995-96, as presented in the February 1995 and March 1996 budgets, was \$32.7 billion. The government's fiscal strategy is to set two-year rolling deficit targets, base these targets on the average of private sector economic forecasts available at that time. In addition, a prudence factor is applied to the interest rates in the average private sector forecast and the impacts are allowed to flow through to output and inflation. This procedure reflects the advice given at a December 1993 meeting with private sector economists and the recommendations of the House of Commons Standing Committee on Finance. The deficit targets also include a Contingency Reserve to cover risks arising from unpredictable events and unavoidable inaccuracies in the economic and fiscal models used to translate the economic assumptions into detailed budget forecasts. For 1995-96, the Contingency Reserve was set at \$2.5 billion.

In the February 1995 budget, it was assumed that the pace of economic growth witnessed in 1994 would continue into the first half of 1995. However, growth was expected to slow in the second half of the year, due to the effects of high interest rates on interest-sensitive components of spending and a slow-down in exports due to slower U.S. growth. Economic growth for the year as a whole was projected at 3.8 per cent. Short-term interest rates were assumed to average 8.5 per cent and long-term rates 9.7 per cent.

The economic weakness expected in the budget outlook for 1995 came much sooner and was much more pronounced than expected. Real GDP advanced only 2.3 per cent, with both exports and domestic demand weakening considerably. As a result, nominal income – the applicable tax base for federal government budgetary revenues – was considerably lower. However, interest rates did

not rise as much as expected in the 1995 budget. Financial market sentiment improved considerably over the spring and summer of 1995, due in part to the favourable reception given to the federal budget and the budgets of many provincial governments. Both short- and long-term interest rates were 150 basis points lower-than-assumed at the time of the 1995 budget.

The net effect of the economic changes on the financial outcome was positive. In comparison to the February 1995 budget projections, the lower deficit outcome reflects a number of factors, including:

- the use of “prudent” economic assumptions for planning purposes with the result that the \$2.5 billion Contingency Reserve was not required; and
- much lower-than-expected public debt charges and lower program spending, which more than offset lower-than-expected budgetary revenues.

Budgetary revenues were \$2.9 billion lower than forecast in the February 1995 budget. Personal income tax collections were \$0.2 billion lower than forecast due to the lower-than-expected growth in labour income. Corporate income tax collections were up \$0.5 billion, reflecting the strong growth in corporate profits during 1995-96. Unemployment insurance premiums were down \$1.2 billion, primarily reflecting adjustments to recover overpayments to the Account in previous fiscal years. Goods and Services Tax collections were \$1.0 billion lower, while excise taxes and duties were down \$0.5 billion, primarily due to lower consumer demand. Non-tax revenues were \$0.7 billion lower than forecast due to lower Exchange Fund revenues.

Total program spending was \$2.0 billion lower than forecast in the February 1995 budget. Among the components, major transfers to persons were \$1.0 billion lower than forecast, most of which was attributable to lower unemployment insurance benefits. Major transfers to other governments

were up slightly. Other transfer payments were up \$0.9 billion, reflecting reallocations from other departmental spending. Lower spending in the remaining components reflected lower liabilities at year end.

Public debt charges were \$2.6 billion lower than forecast in the February 1995 budget, due to the lower outturn for interest rates.

In relation to the March 1996 budget, the lower deficit outcome resulted from the fact that the Contingency Reserve was not required and from lower-than-expected program spending.

Table 7

The scorecard

	Actual	1995 budget (forecast) (per cent)	1996 budget (estimate)
Economic indicators			
Real GDP	2.3	3.8	2.2
Inflation			
CPI	2.1	1.8	2.2
GDP deflator	1.5	1.6	1.8
Nominal GDP	3.9	5.5	4.0
Interest rates			
91-day Treasury bill rate	7.0	8.5	7.0
10-year government bond rate	8.2	9.7	8.2
(billions of dollars)			
Financial results			
Budgetary revenues			
Personal income tax	60.2	60.4	60.5
Corporate income tax	16.0	15.5	14.4
Unemployment insurance premium	18.5	19.7	18.5
Goods and Services Tax	16.4	17.4	17.2
Sales and excise taxes/duties	10.2	10.7	10.3
Other revenues	9.1	9.5	9.7
<i>Total</i>	<i>130.3</i>	<i>133.2</i>	<i>130.6</i>
Program spending			
Major transfers to persons	34.5	35.5	34.7
Major transfers to other levels of government	26.5	26.3	26.6
Other transfers	18.1	17.2	17.6
Crown corporations expenditures	4.3	4.5	4.4
Defence	9.9	10.3	10.3
Other departmental spending	18.6	20.1	20.1
<i>Total</i>	<i>112.0</i>	<i>114.0</i>	<i>113.7</i>
Public debt charges	46.9	49.5	47.0
Contingency reserve	0.0	2.5	2.5
Deficit	28.6	32.7	32.7
Non-budgetary transactions	11.4	7.8	12.7
Financial requirements (excl. foreign exchange transactions)	17.2	24.9	20.0



OPINION OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance

I have audited, in accordance with generally accepted auditing standards, the statement of assets and liabilities of the Government of Canada as at March 31, 1996 and the statements of revenues and expenditures, accumulated deficit, changes in financial position and transactions for the year then ended. In my report to the House of Commons dated July 22, 1996, I expressed an unqualified opinion on those financial statements. My audit report and the financial statements will be included in Volume I of the 1996 *Public Accounts of Canada* which are expected to be tabled in the House of Commons later this year.

In my opinion, the accompanying condensed financial statements of revenues and expenditures, assets and liabilities, and changes in financial position fairly summarize, in all material respects, the related information contained in the full financial statements from which they have been derived.

A stylized, cursive signature in dark ink, reading "L. Denis Desautels".

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 22, 1996

PREFACE TO THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide an overview to Parliament, and thus to the public, to facilitate an understanding of the full nature and extent of the financial affairs and resources for which the government is responsible. Responsibility for the integrity and objectivity of these statements rests with the government.

The condensed financial statements reflect the financial position of the government at the end of the year, as well as its results of operations,

deficit, financial requirements and changes in financial position for the year. These financial statements and the accompanying notes are extracted and summarized from the audited financial statements. The audited financial statements are included in Section 1 of Volume I of the 1996 *Public Accounts of Canada*, which are expected to be tabled in Parliament later this year. These condensed financial statements were prepared by the Government of Canada in accordance with the accounting policies set out in the accompanying notes.

Table 8

Government of Canada Condensed statement of revenues and expenditures for the year ended March 31, 1996

	1996	1995
	(millions of dollars)	
Revenues⁽¹⁾		
Tax revenues		
Income tax	83,255	75,049
Excise taxes and duties	30,086	30,494
Unemployment insurance premiums	18,510	18,928
	<u>131,851</u>	<u>124,471</u>
Non-tax revenues	10,659	10,608
Total gross revenues	142,510	135,079
Amounts deducted to arrive at net revenues	12,209	11,756
Total net revenues	130,301	123,323
Expenditures⁽¹⁾		
Transfer payments		
Old age security and related payments	20,430	20,143
Unemployment insurance benefits	13,476	14,815
Payments to other levels of government	25,298	25,510
Other transfer payments	27,761	29,735
	<u>86,965</u>	<u>90,203</u>
Crown corporations expenditures	6,040	5,741
Other program expenditures	31,217	34,551
Total gross program expenditures	124,222	130,495
Amounts deducted to arrive at net program expenditures	12,209	11,756
Total net program expenditures	112,013	118,739
Interest on debt	46,905	42,046
Total net expenditures	158,918	160,785
Deficit for the year	28,617	37,462
Accumulated deficit		
Beginning of year	545,672	508,210
End of year	574,289	545,672

⁽¹⁾ Detailed amounts on this statement are reported on a gross basis; see *Reporting of revenue and expenditure on a gross basis* (page 26), for explanation.

Table 9

Government of Canada
Condensed statement of assets and liabilities
as at March 31, 1996

	1996	1995
	(millions of dollars)	
Liabilities		
Current liabilities and allowances		
Accounts payable and accruals	26,679	23,221
Allowances for guarantees and employee benefits	9,730	9,450
	36,409	32,671
Interest-bearing debt		
Pension and other accounts		
Public sector pensions	107,882	101,033
Canada Pension Plan (net of securities)	3,636	3,406
Other	5,322	4,755
	116,840	109,194
Unmatured debt		
Marketable bonds	252,700	225,679
Treasury bills	166,100	164,450
Canada Savings Bonds	30,460	30,460
Bonds for Canada Pension Plan	3,478	3,488
Total payable in Canadian currency	452,738	424,077
Payable in foreign currencies	16,809	16,921
	469,547	440,998
<i>Total interest-bearing debt</i>	<i>586,387</i>	<i>550,192</i>
Total liabilities	622,796	582,863
Assets		
Current assets		
Cash	9,044	1,383
Accounts receivable (net of allowance for doubtful accounts)	5,972	4,353
	15,016	5,736
Foreign exchange accounts including gold	19,054	14,350
Loans, investments and advances		
Enterprise Crown corporations	14,663	18,218
Other	11,044	13,787
	25,707	32,005
Less: Allowance for valuation	11,270	14,900
	14,437	17,105
Total assets	48,507	37,191
Accumulated deficit	574,289	545,672

Government of Canada
Notes to the Condensed Financial
Statements

Introduction

These notes are a brief summary of the accounting policies followed by the Government of Canada and other explanatory material related to the condensed financial statements. For more detailed notes on accounting policies and for more extensive information on the financial position and results of operations of the government, the reader

is referred to the audited financial statements in Section 1 of Volume I of the 1996 *Public Accounts of Canada*.

Significant accounting policies

Reporting entity

The Government of Canada as a reporting entity includes the financial activities of all departments, agencies, corporations and funds which are owned or controlled by the government and which are accountable to Parliament, except for the Canada Pension Plan and enterprise Crown corporations.

Table 10

Government of Canada
Condensed statement of changes in financial position
for the year ended March 31, 1996

	1996	1995
	(millions of dollars)	
Cash requirements for:		
Operating activities		
Deficit for the year	28,617	37,462
Less: Items not requiring cash	9,583	12,146
	19,034	25,316
Net payments from pension and other accounts	3,182	2,033
Net change in current assets and liabilities	(2,402)	(664)
<i>Cash required for operating activities</i>	19,814	26,685
Investing activities		
Net decrease in loans, investments and advances	(3,630)	(1,035)
Net increase in foreign exchange accounts	4,704	1,425
<i>Cash required for investing activities</i>	1,074	390
Total cash requirements	20,888	27,075
Financed by:		
Net increase (decrease) in borrowings		
Canadian currency	28,661	20,770
Foreign currencies	(112)	6,253
	28,549	27,023
Net change in cash	7,661	(52)
Cash at beginning of year	1,383	1,435
Cash at end of year	9,044	1,383

The Canada Pension Plan, which is under joint control of the government and participating provinces, is financed from contributions by employees, their employers, and self-employed persons, and interest earned on investments which are mainly in provincial government securities. Enterprise Crown corporations, which are reported as investments, are not dependent on the government for financing their activities.

Basis of accounting

In general, the government accounts for transactions on an accrual basis with two notable exceptions:

- Tax revenues and related refunds are generally accounted for on a cash basis (when taxes are collected and refunds are paid out respectively), except for certain significant refunds which are reported on an accrual basis.

- Capital assets and inventories are fully charged to expenditures at the time of acquisition or construction.

As a consequence, the only assets recorded on the Condensed Statement of Assets and Liabilities are financial assets, as they can provide resources to discharge liabilities or finance future operations. These assets include cash, gold, receivables, as well as loans, investments and advances. Assets are recorded at the lower of cost or net estimated realizable value, except for gold (1996 – 3.3 million ounces at \$69.51 per ounce; 1995 – 3.9 million ounces at \$76.42 per ounce), which is valued at its approximate cost in foreign currency terms.

Liabilities are generally recorded on an accrual basis. Public sector pension and severance liabilities are determined on an actuarial basis.

Allowances are established for outstanding loan guarantees, concessionary and sovereign loans, and other obligations. Unmatured debt is recorded at face value with foreign currency amounts translated to Canadian dollar equivalents using rates at March 31.

Reporting of revenues and expenditures on a gross basis

Detailed amounts on the Condensed Statement of Revenues and Expenditures are presented on a full (gross) disclosure basis only. Gross revenues include revenues of consolidated Crown corporations, and revenues of government departments which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditures include expenditures determined through the tax system, such as child tax benefits payments and quarterly GST tax credits, that are deducted from revenues on the net basis. The Statement of Revenues and Expenditures in the audited financial statements in Section 1 of Volume I of the *Public Accounts of Canada* presents detailed amounts on both a gross and net basis.

Authorities for transactions

Authority of Parliament is required before revenue can be raised and moneys spent or borrowed by the government. Spending authorities on a net basis granted by Parliament were \$163.1 billion (\$164.6 billion in 1995), whereas \$158.9 billion (\$160.8 billion in 1995) was spent. Of the total borrowing authority of \$28.9 billion (\$34.3 billion in 1995), \$28.7 billion (\$26.9 billion in 1995) was used.

Public sector pensions

Separate funds are not set aside to provide for payment of pension benefits to government employees, members of Parliament, the Canadian Forces, the RCMP, and judges. Pension liabilities are estimated annually using the government's best estimates for demographic and economic assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of these liabilities.

Significant transactions

Some significant transactions were recorded as expenditures and liabilities of the government during the year. Transactions recorded include \$0.7 billion (\$2.3 billion in 1995) for the restructuring of the Public Service, of which \$0.6 billion (\$0.8 billion in 1995) was included as Public sector pensions. As well, \$1.0 billion was recorded for commitments made to three of the Atlantic provinces to provide assistance to facilitate their participation in the proposed harmonized tax system.

Loans, investments and advances

In 1995-96, the government sold its total investment in the Canadian National Railway and a major portion of its investment in Petro-Canada. The investments recorded in these corporations were reduced by \$5.4 billion during the year, and the related allowances for valuation by \$2.5 billion. The net recorded gain from the two sales was \$0.3 billion.

Contractual commitments

The nature of the government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. Contractual commitments pertain to transfer payment agreements, capital asset acquisitions, other purchases, operating and capital leases, funding of international organizations, and benefit plans for veterans. At March 31, 1996 major contractual commitments amounted to approximately \$26.0 billion (\$28.9 billion in 1995). Estimated annual payments related to these commitments for the next five years decrease from \$6.5 billion in 1997 to \$3.4 billion in 2001.

Insurance programs

Three enterprise Crown corporations – Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Corporation – operate insurance programs for the government. These programs are intended to be self-sustaining, but in the event that the corporations have insufficient funds, the

government will have to provide financing. Insurance in force at March 31, 1996 amounted to approximately \$454 billion (\$435 billion in 1995). The government expects that it will incur no costs to cover the costs of any claims for these insurance programs.

Contingent liabilities

The contingent liabilities of the government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. At such time they may become actual liabilities and if so they are recorded in the accounts of Canada. An exception is made for losses on loan guarantees, including those in respect of borrowings of enterprise Crown

corporations, which are recorded as actual liabilities when it is likely that a future payment will be made and the amount of the loss can be reasonably determined.

Contingent liabilities result from the exercise of guarantees; environmental contingencies; callable share capital and lines of credit in international organizations; claims, and pending and threatened litigation related to aboriginal land claims and treaty obligations; and like items. At March 31, 1996, these contingent liabilities amounted to approximately \$68.7 billion (\$64.2 billion in 1995), of which \$5.4 billion (\$5.5 billion in 1995) related to loan guarantees and borrowings of enterprise Crown corporations recorded as liabilities in the financial statements.

Other sources of information

The Public Accounts of Canada

The Public Accounts of Canada, as required under Section 64(1) of the Financial Administration Act, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the government's audited financial statements and supporting schedules and information;
- Volume II contains details of financial operations by Ministry (Part I) and additional information and analyses (Part II).

The Budget

The Budget that is introduced, usually in February, presents the government's overall fiscal plan, incorporating revenue projections and spending plans which combine to determine the resulting budgetary deficit. The Budget also introduces proposals for changes in taxation.

The Estimates

The Estimates are the detailed annual expenditure plans submitted to Parliament each spring. The estimates are presented in three parts:

- Part I presents an overview of the government expenditure plan;
- Part II outlines spending according to departments, agencies and programs;
- Part III provides additional detail on each department and its programs.

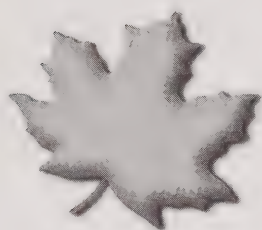
The Debt Operations Report

This annual document provides an overview of the federal government's borrowing operations. It outlines the key elements of current federal debt strategy and describes various strategic and operational aspects of the government's debt program and cash management activities over the past fiscal year.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the government together with the reasons underlying major variances.

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ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal Year 1996-97

Canada

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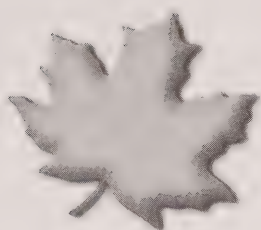
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ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal Year 1996-97

This is the fourth edition of the *Annual Financial Report* of the Government of Canada. It covers the federal government's spending and revenue performance for the past fiscal year (April 1, 1996 – March 31, 1997), and details the factors affecting these results. Historical data are presented in a separate document entitled *Fiscal Reference Tables*.

The Annual Financial Report responds to recommendations by the Auditor General and the House of Commons Public Accounts Committee. The government shares their view that providing Canadians with accurate, relevant and timely information on its financial activity in an understandable form enhances government accountability and enables Canadians to play a more active and effective role in guiding government decision-making.

As noted in this report, substantial progress has been made in restoring health to the federal government's finances. The deficit has declined from a peak of \$42 billion in 1993-94 to \$8.9 billion in 1996-97. This decline underlines the soundness of the government's fiscal strategy – basing budget plans on prudent planning assumptions backed by a sizeable Contingency Reserve – which has engendered economic conditions conducive to growth and job creation.



The government believes that transparency and accountability to Parliament and Canadians are best served by recording liabilities in the year in which they occur. We have been consistent in this practice and will continue to be so in the future. Accordingly, I am disappointed that the Auditor General has expressed a qualified opinion on this year's financial statements regarding the recording of the liability in 1996-97 for the Canada Foundation for Innovation. The government is of the view that, in substance, this transaction represented a financial liability, which must be accounted for in the 1996-97 financial statements. We believe that governments must be held accountable for such liabilities – in the year that they are made – rather than leave them to some future date.

The financial data in this report are based on the audited results which will appear in the *Public Accounts of Canada*, scheduled for tabling in the House of Commons this fall.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance

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REPORT HIGHLIGHTS

The federal deficit for 1996-97, as measured by budgetary transactions, was \$8.9 billion. This is the shortfall between government budgetary spending of \$149.8 billion and budgetary revenues of \$140.9 billion.

The budgetary deficit of \$8.9 billion was:

- the lowest deficit since 1976-77;
- \$19.7 billion lower than the 1995-96 deficit of \$28.6 billion – the largest single annual decline;
- \$33.1 billion below its peak of \$42 billion recorded in 1993-94; and
- \$15.4 billion lower than the deficit target of \$24.3 billion for 1996-97 – the third consecutive year in which the deficit has come in below target.

Budgetary revenues exceeded program spending – total spending less interest charges – in 1996-97 by \$36.1 billion, almost double the \$18.3 billion recorded in 1995-96. This “operating” surplus was not sufficient to fully cover interest charges on the public debt of \$45.0 billion, resulting in the deficit of \$8.9 billion.

The decline in the deficit, in combination with modest economic growth in 1996, resulted in a sharp drop in the deficit to economic output (GDP) ratio, from 3.7 per cent in 1995-96 to 1.1 per cent in 1996-97. The ratio in 1996-97 is the lowest since 1970-71.

Each Canadian’s share of the deficit – adults and children – was \$295, down from \$958 in 1995-96. This reflected government spending equal to \$4,961 per person and government revenues equal to \$4,666 from each individual.

The net public debt

The 1996-97 deficit brought the federal government’s net public debt – the accumulation of annual deficits and surpluses – to \$583.2 billion.

- As a share of Canada’s economy, the accumulated deficit dropped to 73.1 per cent, down from 74.0 per cent in 1995-96.
- This was the first meaningful decline since 1974-75.
- Ten years ago, the debt-to-GDP ratio was 54.1 per cent.

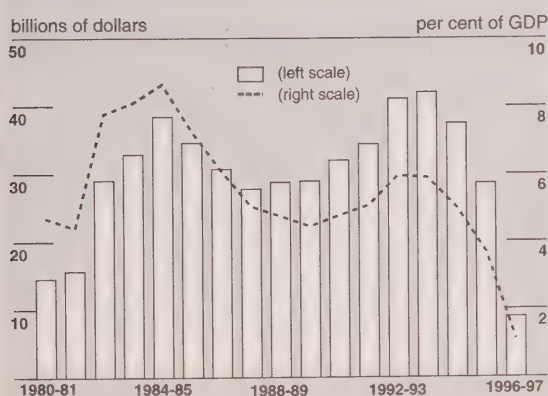
The net public debt at the end of 1996-97 reached \$19,313 for each Canadian, up from \$19,227 a year earlier.

Financial requirements/surplus

Although the budgetary deficit is the main measure of the government’s fiscal position, there are other important measures as well. Financial requirements/surplus measure the difference between cash coming into the government and cash going out. Most industrialized countries use a measure comparable to financial requirements as their main budget measure.

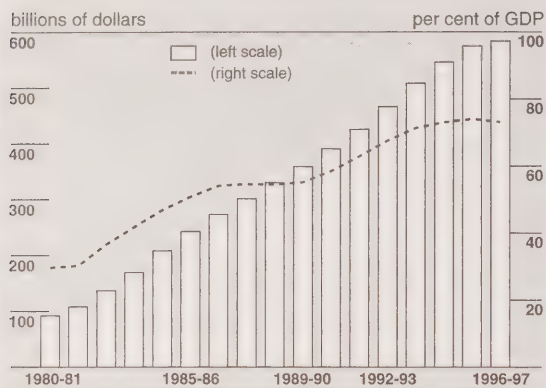
- There was a net financial surplus of \$1.3 billion in 1996-97, excluding foreign exchange transactions -- the first financial surplus since 1969-70. Among the G-7 countries, Canada was the only country in surplus in 1996-97.
- In 1995-96, there was a net requirement of \$17.2 billion.

The deficit and the economy



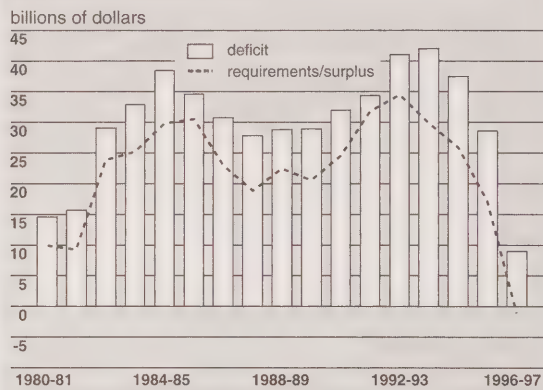
Source: *Public Accounts of Canada* and Statistics Canada.

Net federal debt and the economy



Source: *Public Accounts of Canada* and Statistics Canada.

Budgetary deficit and financial requirements/surplus*



*Excluding foreign exchange transactions.

Source: *Public Accounts of Canada* and Statistics Canada.

Table 1

Financial highlights

	1993-94	1994-95	1995-96	1996-97
	(billions of dollars)			
Budgetary transactions				
Revenues	116.0	123.3	130.3	140.9
Program spending	-120.0	-118.7	-112.0	-104.8
Operating balance	-4.0	4.6	18.3	36.1
Debt charges	-38.0	-42.0	-46.9	-45.0
Deficit	-42.0	-37.5	-28.6	-8.9
Non-budgetary transactions	12.2	11.6	11.4	10.2
Financial requirements/surplus (excluding foreign exchange transactions)	-29.9	-25.8	-17.2	1.3
Financial position				
Total liabilities	-546.4	-584.8	-624.7	-640.7
Total assets	38.2	39.1	50.4	57.5
Accumulated deficit (net public debt)	-508.2	-545.7	-574.3	-583.2
Financial results as % of GDP				
Deficit	-5.9	-5.0	-3.7	-1.1
Accumulated deficit	-71.3	-73.0	-74.0	-73.1

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Deficit down \$19.7 billion from 1995-96

The deficit declined by \$19.7 billion between 1995-96 and 1996-97. This decline was attributable to the impact of:

- restraint measures introduced in the 1994 and 1995 budgets, primarily affecting program spending;
- economic growth; and
- one-time factors affecting revenues.

Revenues increased by \$10.6 billion or 8.1 per cent. Of this increase:

- \$2.5 billion was attributable to the net proceeds from the sale of the Air Navigation System and the acceleration of employment insurance premium revenues.
- Another \$0.7 billion was due to the reclassification of the air transport tax from program spending to revenues. Since this reclassification affected both revenues and program spending, there was no impact on the deficit.
- The remaining increase of \$7.4 billion was mostly attributable to higher levels of economic activity and the interaction of the tax system with these economic developments.
- The net incremental impact of tax changes announced since 1993 amounted to only \$0.2 billion, primarily in areas to increase fairness and tighten the tax system.

Program spending declined by \$7.2 billion to \$104.8 billion.

- This decline was attributable to the restraint measures introduced in the 1994 and 1995 budgets, as well as to the growth in the economy.
- This marks the fourth consecutive year in which program spending has declined. Spending was \$17.8 billion below the 1992-93 level.

Public debt charges declined \$1.9 billion. This was attributable to a decline in the average effective interest rate, from 8.0 per cent in 1995-96 to 7.5 per cent in 1996-97, which more than offset the increase in interest-bearing debt of \$14.2 billion.

Deficit below target

The deficit for 1996-97 was \$15.4 billion below the target of \$24.3 billion set out in the 1996 budget.

- Budgetary revenues were \$5.9 billion higher, of which \$3.2 billion was attributable to one-time special factors, with the rest largely reflecting higher corporate income tax and goods and service tax (GST) collections.
- Program spending was \$4.2 billion lower, largely due to tighter controls over direct program spending and lower employment insurance benefit payments.
- Public debt charges were \$2.8 billion lower, reflecting the impact of lower interest rates.
- The Contingency Reserve of \$2.5 billion was not required.

The deficit was \$10.1 billion below the 1997 budget estimate of \$19.0 billion.

- Budgetary revenues were \$5.4 billion higher, primarily due to higher corporate income tax and GST collections.
- Program spending was \$4.2 billion lower, primarily reflecting much lower-than-expected end-of-year accounting adjustments.
- Public debt charges were \$0.5 billion lower.

The government's fiscal strategy is to set two-year rolling deficit targets, base these targets on prudent economic planning assumptions, and back these assumptions up with sizeable Contingency Reserves. These operating guidelines have ensured that the final deficit outcome has come in below target in each year this strategy has been in place.

ECONOMIC DEVELOPMENTS IN 1996

The main factors affecting the financial results are:

- impact of budget measures;
- changes in economic conditions; and
- the interaction of the tax system with economic developments.

This section briefly looks at economic developments in 1996.

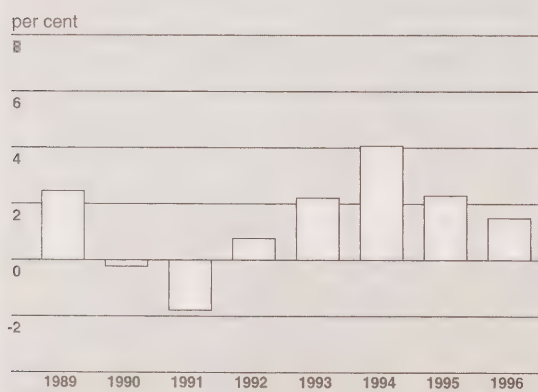
Economic growth slowed in 1996. Real gross domestic product (GDP) – which excludes the effect of inflation – grew 1.5 per cent, compared to an increase of 2.3 per cent in 1995. This slowdown reflected weak growth over the first two quarters of 1996 due to a reduction in business inventory investment and a temporary slowdown in the U.S. economy, which restrained export growth. Growth was much stronger in the second half of 1996. Businesses had adjusted their inventories to more normal levels and inventory investment strengthened. More importantly, the substantial declines in interest rates that had taken place since early 1995 resulted in a strong pick-up in domestic spending, particularly non-residential investment and consumer spending.

Inflation pressures in 1996 remained subdued, with inflation, as measured by the Consumer Price Index (CPI), remaining in the lower half of the Bank of Canada's target range of 1 to 3 per cent. The all-items CPI rose 1.6 per cent, down from a 2.1 per cent increase in 1995. The GDP deflator, the broadest measure of domestic prices, rose 1.3 per cent, after rising 1.5 per cent in 1995.

The key economic variables affecting the federal government's financial results are personal income, corporate profits, consumer demand and interest rates.

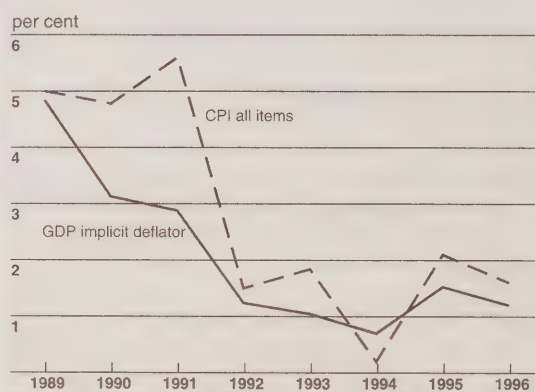
The applicable tax base for personal income tax collections is personal income. Personal income tax collections are affected not only by the change in personal income but also by its composition. Personal income includes labour income, net income of unincorporated businesses, interest and dividend income as well as transfer payments to individuals, consisting primarily of those from government. Personal income increased by 2.0 per cent in 1996, down from the increase of 3.3 per cent reported in 1995. Most of the increase in 1996 was attributable to higher labour income

Real GDP growth



Source: Statistics Canada.

Prices and costs



Source: Statistics Canada.

(wages and salaries and supplementary labour income), up 2.8 per cent, with employment and wage gains contributing about equally. All of the increase in labour income occurred in the private sector as the labour income paid by the government sector declined. Net income from unincorporated businesses rose 3.5 per cent. However, interest and dividend income declined 3.0 per cent, after recording an increase of 9.6 per cent in 1995. The decline primarily reflected the fall in interest rates in 1996. Transfer payments from government were up in 1996 but virtually all of the increase was due to the special one-time payment related to the elimination of subsidies under the *Western Grain Transportation Act*.

Corporate profits, the applicable tax base for corporate income tax collections, were almost unchanged in 1996, after rising 13.1 per cent in 1995. However, there was a compositional shift among the various sectors with increases in the financial sector offsetting declines in the non-financial sector.

A proxy tax base for the goods and services tax is personal spending on goods and services, excluding food and rent, but including residential construction. The value of these expenditures increased 4.9 per cent, up strongly from the gain of only 0.6 per cent reported for 1995.

The unemployment rate rose to 9.7 per cent in 1996 from 9.5 per cent in 1995, as employment growth fell short of labour force growth. The labour force grew by 1.5 per cent in 1996, well above its 1995 increase of 0.7 per cent. Employment was up 1.3 per cent in 1996, somewhat less than the 1.6 per cent growth recorded in 1995.

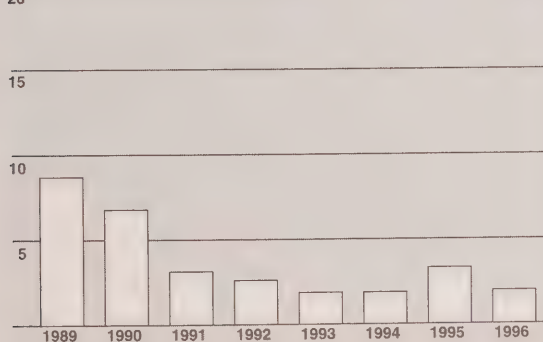
Table 2

Key economic indicators

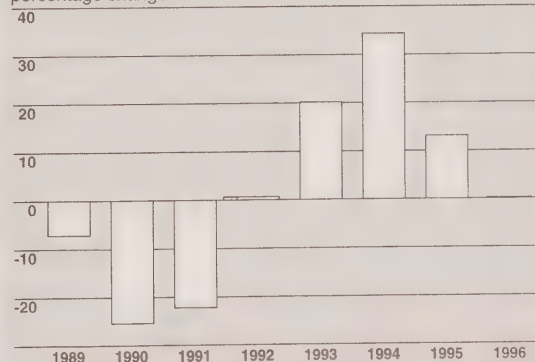
	1995	1996
	(year-to-year per cent change – unless otherwise indicated)	
Real GDP	2.3	1.5
Inflation		
CPI	2.1	1.6
GDP implicit price deflator	1.5	1.3
Nominal GDP	3.9	2.8
Personal income	3.3	2.0
Labour income	3.2	2.8
Corporate profits	13.1	0.2
Personal expenditures excluding food/rent but including residential construction	0.6	4.9
Employment	1.6	1.3
Interest rates		
3-month Treasury bill rate (%)	7.0	4.3
10-year government benchmark rate (%)	8.1	7.2

Personal income

percentage change

**Corporate profits**

percentage change

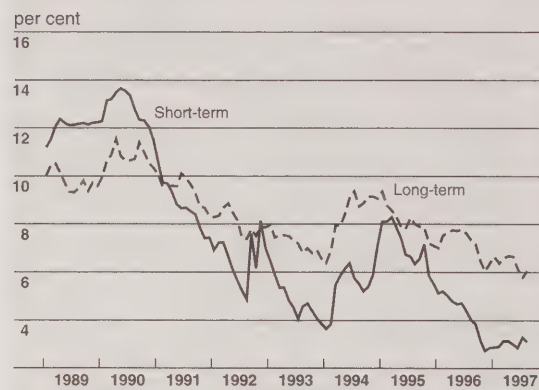


Unemployment and participation rates



Source: Statistics Canada.

Interest rates



Source: Statistics Canada.

Short-term interest rates fell through 1996, ending the year at 2.9 per cent. For the year as a whole, they averaged 4.3 per cent, compared to an average of 7.0 per cent in 1995. The 10-year Government of Canada benchmark bond rate also declined to average 7.2 per cent in 1996, compared to 8.1 per cent in 1995. The Canadian dollar averaged 73.3 cents U.S. in 1996, slightly above the average of 72.9 cents U.S. in 1995.

BUDGETARY REVENUES

Table 3 shows budgetary revenues on both a budget or "net" basis as well as on a "gross" basis. The results on a gross basis are often more reflective of the underlying economic developments, whereas the net figures reflect the way in which the revenue and spending estimates are presented to Parliament. The difference primarily relates to two areas:

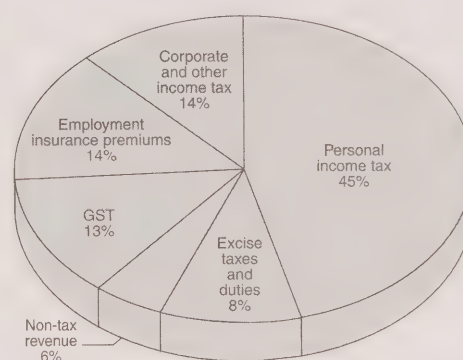
- certain expenditures, such as the child tax benefit and the low-income GST credit, which are netted against tax collections; and
- certain revenues are credited back to departments for specific services, such as the costs of policing services in provinces (which are netted against Royal Canadian Mounted Police expenditures).

The major components of budgetary revenues are:

- personal income tax collections;
- corporate income tax collections;
- other income tax collections, primarily consisting of non-resident taxes;
- employment insurance premium revenues;
- goods and services tax collections;

- other excise taxes and duties, which include customs import duties, excise taxes on motive fuels, and excise taxes and duties, primarily on tobacco and tobacco products, and effective April 1996, the air transport tax; and
- non-tax revenues, which include return on investments and other non-tax revenues, such as net proceeds from the sale of assets, user charges, etc.

Net revenues for 1996-97



Source: Public Accounts of Canada.

Table 3

Budgetary revenues

	1995-96		1996-97	
	Gross	Net	Gross	Net
(millions of dollars)				
Income tax collections				
Personal income tax	64,778	60,167	68,122	63,282
Corporate income tax	15,955	15,955	17,020	17,020
Other	2,105	2,105	2,847	2,847
Total income tax	82,838	78,227	87,989	83,149
Employment insurance premium revenues	18,510	18,510	19,816	19,816
Excise taxes and duties				
Goods and services tax	19,174	16,375	20,951	18,079
Customs import duties	2,969	2,969	2,676	2,676
Other excise taxes and duties	7,943	7,260	8,343	8,343
Total excise	30,086	26,604	31,970	29,098
Total tax revenues	131,434	123,341	139,775	132,063
Non-tax revenues	10,659	6,960	12,697	8,833
Total revenues	142,093	130,301	152,472	140,896

Budgetary revenues, on a gross basis, amounted to \$152.5 billion in 1996-97, an increase of \$10.4 billion, or 7.3 per cent, from the level reported in 1995-96. Gross revenues were \$11.6 billion higher than net revenues in 1996-97, of which \$5.2 billion was for the child tax benefit, \$2.9 billion for the low-income GST credit, with the remainder (\$3.5 billion) primarily related to revenues credited to program spending.

On a net basis, budgetary revenues amounted to \$140.9 billion, an increase of \$10.6 billion, or 8.1 per cent from the 1995-96 level. Of this increase:

- \$2.5 billion was attributable to one-time factors (sale of the Air Navigation System and acceleration of EI premium revenues);
- \$0.7 billion was due to the reclassification of the air transport tax from program spending to budgetary revenues; and
- the remainder (\$7.4 billion) was primarily attributable to the growth in the economy and the interaction of the tax system with economic developments.

Personal income tax collections, on a net basis, were up \$3.1 billion, or 5.2 per cent from 1995-96. This was somewhat lower than the increase of \$3.8 billion reported in 1995-96, as personal income growth slowed in 1996. The increase in 1996-97 reflected both higher payments by quarterly filers and increased deductions from employment income. Under regulations introduced in 1994, taxpayers, primarily the self-employed and those in receipt of investment income, who have tax liabilities not subject to withholding in excess of a specified threshold in one taxation year are required to make quarterly installment payments in the following year. Increased tax liabilities in 1995 on income not subject to withholding resulted in more taxpayers required to make installment payments in 1996. Deductions from employment income mirrored the gains in labour income.

Corporate income tax collections were up \$1.1 billion, or 6.7 per cent. Although corporate profits were virtually unchanged in 1996 from 1995, profits rose in those sectors with higher effective tax rates (primarily the financial sector) and declined in those with lower effective tax rates (non-financial sector), thereby resulting in an increase in net collections. Other income taxes, primarily non-resident withholding taxes, which largely reflect developments in the corporate sector, were up \$0.7 billion.

Employment insurance premium revenues rose \$1.3 billion, of which an estimated \$1 billion was due to the change in remittance procedures. Effective January 1, 1997, the base to which the premium rates are applied was changed from weekly maximum insurable earnings to annual maximum insurable earnings. Although the annual amount paid is unchanged for most employees and their employers, those employees earning above the annual maximum insurable earnings are now required to pay more of their premium liability earlier in the calendar year and less in the latter. As the government's fiscal year overlaps the calendar year, there was a one-time positive cash-flow impact in the last quarter of 1996-97. The effect of lower premium rates was offset by more people being employed, accounting for the remaining increase in premium revenues.

Total excise taxes and duties increased \$2.5 billion, or 9.4 per cent in 1996-97, a substantial reversal from the decline of \$0.5 billion reported in 1995-96. Part of this turnaround was due to the reclassification of the air transport tax, with most of the remaining increase attributable to a recovery in goods and services tax collections.

- GST collections were up \$1.7 billion, or 10.4 per cent, compared to a decline of \$0.4 billion in 1995-96. The increase in 1996-97 was attributable to the recovery in consumer demand, witnessed in 1996, and timing in receipts, and in the payment of refunds as well as reporting factors which depressed collections in the previous fiscal year.

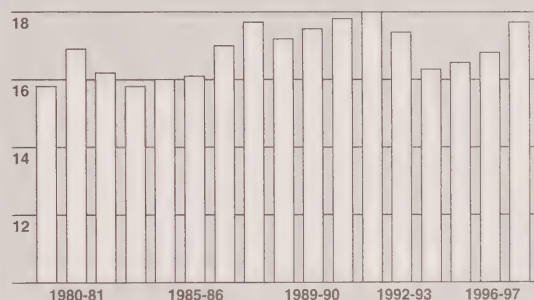
- Customs import duties were down \$0.3 billion, or 9.9 per cent, as the growth in imports in 1996 was more than offset by reductions in tariffs, as specified under international agreements.
- Other excise taxes and duties were up \$1.1 billion in 1996-97. Of this increase, \$0.7 billion was due to the reclassification of the air transport tax. Prior to April 1996, receipts from this tax were netted against the costs of running the federal airports and therefore lowered program spending accordingly. With the sale of the Air Navigation System, these receipts are now included as part of budgetary revenues. Since this change affects both net revenues and program spending by an equivalent amount, the deficit is unaffected.

Non-tax revenues increased \$1.9 billion, or 26.9 per cent in 1996-97. Most of this increase (\$1.5 billion) was due to the sale of the Air Navigation System.

As a percentage of GDP, net revenues, or the "revenue ratio", stood at 17.7 per cent, up from 16.8 per cent recorded in 1995-96. About half of this increase was due to special factors (sale of the Air Navigation System, acceleration of EI premium revenues and reclassification of the air transport tax). The remainder was largely attributable to the strong growth in corporate and other income tax collections and in GST revenues.

The revenue ratio

per cent of GDP
20



Source: Department of Finance and Statistics Canada.

BUDGETARY EXPENDITURES

Table 4 presents budgetary expenditures on both a gross and net basis. Gross budgetary expenditures include certain expenditures that are determined through the tax system, such as the child tax benefit and the low-income GST credit.

In addition, gross expenditures exclude certain revenues directly related to the services being provided which, on a net basis, are credited directly to the department providing the service.

Table 4

Budgetary expenditures

	1995-96		1996-97	
	Gross	Net	Gross	Net
(millions of dollars)				
Transfer payments to persons				
Old Age Security benefits	20,430	21,034	21,207	21,606
Employment insurance benefits	13,476	13,476	12,380	12,380
Child tax benefit/low-income GST credit	8,014	0	8,111	0
<i>Total</i>	<i>41,920</i>	<i>34,510</i>	<i>41,698</i>	<i>33,986</i>
Transfer payments to other levels of government				
Canada Health and Social Transfer ¹	18,583	18,583	14,758	14,758
Fiscal arrangements	9,803	9,803	9,820	9,820
Alternative Payments for Standing Programs	-1,912	-1,912	-2,014	-2,014
<i>Total</i>	<i>26,474</i>	<i>26,474</i>	<i>22,564</i>	<i>22,564</i>
Other transfer payments				
Agriculture and Agri-Food	924	924	1,035	1,035
Foreign Affairs and International Trade	2,081	2,081	2,052	2,052
Human Resources Development	2,521	2,521	2,080	2,080
Indian Affairs and Northern Development	3,666	3,666	3,897	3,897
Industry Canada/Regional Agencies	2,402	2,402	2,093	2,093
Veterans Affairs	1,391	1,391	1,369	1,369
Other	5,169	5,169	4,934	4,934
<i>Total</i>	<i>18,154</i>	<i>18,154</i>	<i>17,460</i>	<i>17,460</i>
Total transfer payments	86,548	79,138	81,722	74,010
Crown corporation expenditures				
Canada Mortgage and Housing Corporation	1,940	1,940	1,967	1,967
Canadian Broadcasting Corporation	1,649	1,171	1,391	997
Other	2,451	1,210	1,465	614
<i>Total</i>	<i>6,040</i>	<i>4,321</i>	<i>4,823</i>	<i>3,578</i>
Defence				
Personnel	4,365	4,365	3,454	3,454
Capital	2,686	2,686	2,246	2,246
Other operating	3,242	2,884	3,231	2,841
<i>Total</i>	<i>10,293</i>	<i>9,935</i>	<i>8,931</i>	<i>8,541</i>
All other departmental spending				
Personnel	12,382	12,382	11,904	11,904
Capital	1,356	1,356	1,609	1,609
Other operating	7,186	4,881	7,407	5,178
<i>Total</i>	<i>20,924</i>	<i>18,619</i>	<i>20,920</i>	<i>18,691</i>
Total program expenditures	123,805	112,013	116,396	104,820
Public debt charges	46,905	46,905	44,973	44,973
Total budgetary expenditures	170,710	158,918	161,369	149,793

¹ In 1996-97, the Canada Health and Social Transfer replaced Established Programs Financing and the Canada Assistance Plan. The figures for 1995-96 have been restated to be on a comparable basis.

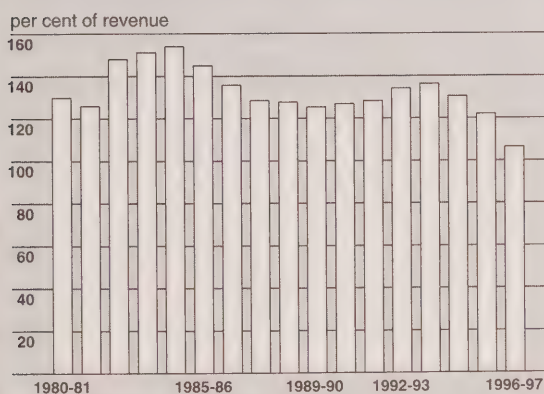
Total budgetary expenditures, on a gross basis, by the federal government amounted to \$161.4 billion in 1996-97, a decline of \$9.3 billion, or 5.5 per cent, from 1995-96. Gross program spending fell by \$7.4 billion, while public debt charges declined by \$1.9 billion.

Total budgetary expenditures, on a net basis, amounted to \$149.8 billion in 1996-97, down \$9.1 billion or 5.7 per cent from 1995-96. Adjusting net expenditures for the reclassification of the air transport tax, the decline would have been \$9.8 billion.

- Public debt charges were down \$1.9 billion.
- Program spending was \$7.2 billion lower, most of which was attributable to the impact of restraint measures.

As a percentage of net budgetary revenues, net budgetary expenditures, or the “expenditure ratio”, stood at 106.3 per cent, down from 122.0 per cent in 1995-96. This implies that, in 1996-97, expenditures exceeded revenues by 6.3 per cent and that amount had to be financed by borrowings. In 1993-94, the expenditure ratio stood at 136.2 per cent, which meant that an amount equivalent to 36.2 per cent of revenues had to be financed by borrowings.

The expenditure ratio



Source: Department of Finance.

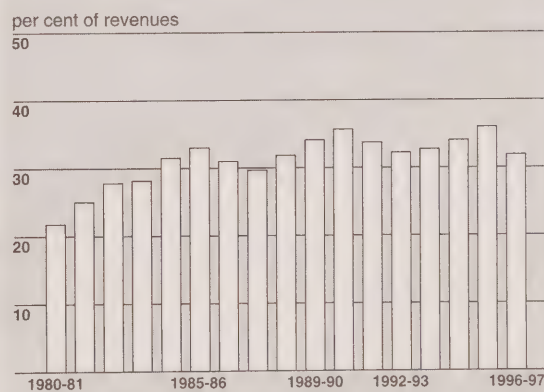
Public debt charges were \$1.9 billion, or 4.1 per cent, lower in 1996-97 than in 1995-96. This decline, the first in three years, was due to the drop in interest rates during 1996. The average effective interest rate on the government's interest-bearing debt (unmatured debt and pension liabilities) declined from 8.0 per cent in 1995-96 to 7.5 per cent in 1996-97.

As a percentage of budgetary revenues, public debt charges declined from 36.0 per cent in 1995-96 to 31.9 per cent in 1996-97. This means that the government spent about 32 cents of every revenue dollar in 1996-97 for interest on the public debt.

Net program spending – net budgetary expenditures less public debt charges – declined by \$7.2 billion in 1996-97 or by 6.4 per cent. This decline was attributable to the expenditure reduction measures announced in the February 1994 and 1995 budgets. This is the fourth consecutive year in which program spending has declined, with program spending \$17.8 billion below the 1992-93 level.

As a percentage of net revenues, program spending, or the “program share”, amounted to 74.4 per cent, down from 86.0 per cent in 1995-96.

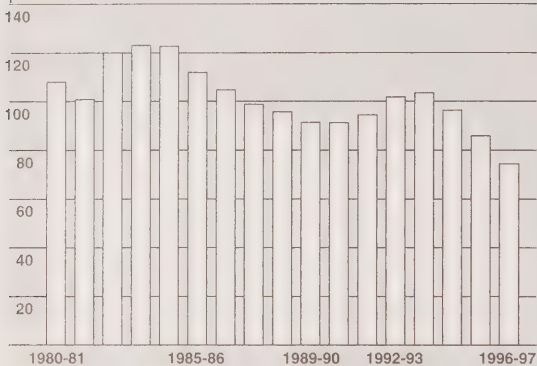
The interest ratio



Source: Department of Finance.

Program share

per cent of revenues

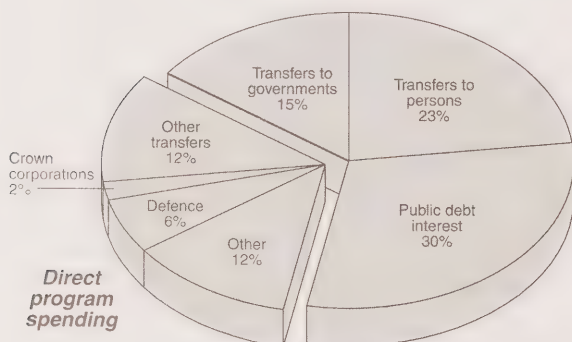


Source: Department of Finance.

Program spending can be divided into the following components:

- major transfer payments to persons;
- major transfers to other levels of governments; and
- direct program spending, which includes:
 - other transfers and subsidies;
 - expenditures related to Crown corporations;
 - defence; and
 - operating and capital costs of government departments and agencies, excluding defence.

Total net expenditures for 1996-97



Source: Public Accounts of Canada.

Net major transfer payments to persons consist of elderly benefits and employment insurance benefits. This component declined by \$0.5 billion, or 1.5 per cent.

- Employment insurance benefits were \$1.1 billion lower than in 1995-96. With the number of unemployed rising slightly in 1996, the decline in benefit payments was due to the structural changes implemented in 1996, including the changes in qualification criteria, reduction in maximum insurable earnings, reduction in benefits for repeat users, and reduction in maximum benefit duration.
- Elderly benefits consist of Old Age Security payments, Guaranteed Income Supplement payments and Spouse's Allowance payments. Total benefits were up \$0.6 billion in 1996-97, reflecting higher average benefits and an increase in the number of recipients.

Major transfer payments to other levels of government include cash transfers under the Canada Health and Social Transfer (CHST), Equalization, transfers to the territories, Alternative Payments for Standing Programs, as well as a number of small transfer programs. Net cash transfers declined by \$3.9 billion in 1996-97, with the decline concentrated in lower CHST cash transfers.

- In the 1995 budget, the government introduced the CHST – a new block-funded transfer – which replaced Established Programs Financing (EPF) and the Canada Assistance Plan (CAP). Total CHST entitlements were set at \$26.9 billion for 1996-97, down \$2.8 billion from the comparable 1995-96 entitlements under EPF and CAP. Total entitlements – which are the most appropriate measure of federal support – are paid in the form of tax point transfers with the residual paid in cash. The tax point transfer represents the value of “tax points” that the federal government made available to provinces, by reducing federal tax rates so that provinces could increase theirs by an equivalent amount, with no impact on taxpayers. The value of these tax points fluctuates with changes in the applicable tax bases – personal and corporate income taxes. As these taxes broadly increase in line with the

growth in the economy, the value of the tax point transfers also increases. Even with no change in CHST entitlements, cash transfers would decline as the value of tax point transfers increases. For 1996-97, therefore, \$2.8 billion of the \$3.9 billion decline in CHST cash transfers was directly attributable to the reduction in total entitlements. The remainder was due to the growth in the value of tax point transfers and recoveries for overpayments in previous years under EPF.

Excluding the major transfer programs, the remaining components of program spending – other transfer payments, expenditures related to Crown corporations, defence, and operating and capital expenditures of non-defence departments and agencies – are referred to as direct program spending.

- Spending in this component amounted to \$48.3 billion in 1996-97, down \$2.8 billion, or 5.4 per cent, from 1995-96. This understates the underlying decline (\$3.5 billion), as the air transport tax was classified as part of budgetary revenues in 1996-97, but netted against program spending in 1995-96. In 1995-96, there was a decline of \$5.6 billion.
- The decline in 1996-97 primarily reflected the impact of the Program Review reductions, as set out in the 1995 budget. The objective of the Program Review was to review federal programs in order to bring about the most efficient and cost-effective way of delivering programs and services.

Within direct program spending:

- Other transfer payments declined by \$0.7 billion, or 3.8 per cent. The Program Review actions primarily affected this component in 1995-96, as spending declined by \$1.8 billion. Program Review resulted in fundamental changes to Canada's transport system, to agricultural subsidies and to subsidies to business.

- Expenditures related to Crown corporations were down \$0.7 billion, or 17.2 per cent, in 1996-97. This decline was attributable to the Program Review restraint measures as well as to the improved financial situation of enterprise Crown corporations in 1996-97.
- Defence spending was down \$1.4 billion, reflecting the impact of the 1994 and 1995 budget reductions, as well as an accounting adjustment related to the difference between the pension liability under the Canadian Forces Superannuation Account and the actuarial obligation.
- All other departmental spending includes the costs of government administration and specific services delivered to the public, such as:
 - health care to natives and veterans;
 - research undertaken by government departments;
 - operation of national parks and historic sites;
 - collection of taxes;
 - operation of federal correctional institutions and provision of police services; and
 - delivery of programs such as elderly benefits and employment insurance.

Spending in this area was virtually unchanged from 1995-96. In part, this was due to the reclassification of the air transport tax in 1996-97 to budgetary revenues, whereas in 1995-96, it was netted against all other departmental spending. On a comparable basis, there would have been a decline of about \$0.7 billion between 1995-96 and 1996-97. In 1995-96, all other departmental spending declined 11.3 per cent, reflecting the impact of the restraint measures introduced in the 1994 budget and in Program Review.

FINANCIAL REQUIREMENTS/SURPLUS AND DEBT

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements are lower than the deficit, as they also include the net source of funds from non-budgetary transactions. These include transactions in loans, investments and advances, government employees' pension accounts, other specified purpose accounts, and other financial assets and liabilities. In addition, the budgetary deficit is largely presented on an accrual basis of accounting. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions in 1996-97 resulted in a net source of funds amounting to \$10.2 billion, down \$1.2 billion from 1995-96. This decline was largely attributable to the sale of Canadian National Railways in 1995-96.

With a budgetary deficit of \$8.9 billion and a net source of funds from non-budgetary transactions of \$10.2 billion, there was a net financial surplus, excluding foreign exchange transactions, of \$1.3 billion in 1996-97. This was the first surplus since 1969-70. In 1995-96, there was a net financial requirement of \$17.2 billion.

Total financial requirements/surplus include the transactions of the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability of the Canadian dollar in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency. During 1996-97, foreign exchange transactions resulted in a net requirement of funds amounting to \$7.8 billion, compared to a net requirement of \$4.7 billion in 1995-96.

Including the net requirements resulting from foreign exchange transactions, total financial requirements – the budgetary deficit minus non-budgetary and foreign exchange transactions – were \$6.5 billion in 1996-97, down \$15.4 billion from 1995-96.

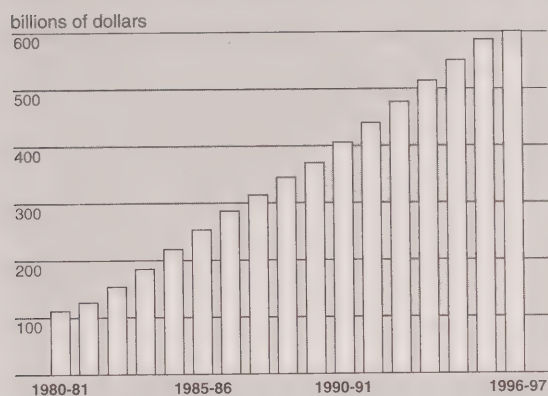
To finance these requirements, the government borrows from the private sector and/or draws down its cash reserves. Total borrowings from the private sector (unmatured debt transactions) amounted to \$7.3 billion in 1996-97, compared to \$28.5 billion in 1995-96. As a result, cash balances as of March 31, 1997 stood at \$9.4 billion, up \$0.8 billion from March 31, 1996.

Table 5

Financial requirements/surplus and the debt

	1993-94	1994-95	1995-96	1996-97
	(billions of dollars)			
Budgetary deficit	-42.0	-37.5	-28.6	-8.9
Non-budgetary transactions	12.2	11.6	11.4	10.2
Financial requirements/surplus (excluding foreign exchange transactions)	-29.9	-25.8	-17.2	1.3
Foreign exchange requirements/surplus	-2.1	-1.4	-4.7	-7.8
Financial requirements/surplus	-32.0	-27.3	-21.9	-6.5
Unmatured debt transactions	31.2	27.0	28.5	7.3
Change in cash balances	-0.7	-0.2	6.7	0.8
Cash in bank (March 31)	2.1	1.9	8.6	9.4

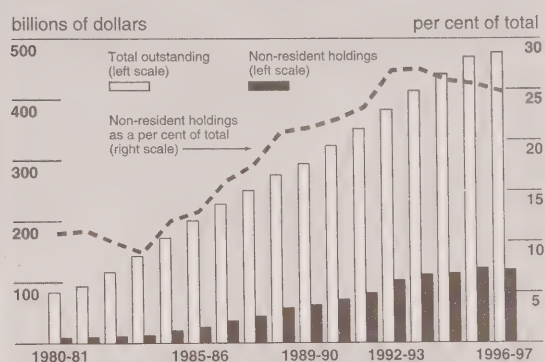
Interest-bearing debt



Source: Public Accounts of Canada.

Interest-bearing debt includes unmatured debt and borrowings from pension and other accounts. As of March 31, 1997, interest-bearing debt amounted to \$600.6 billion, compared to \$586.4 billion at March 31, 1996. Of this amount, \$23.0 billion was payable in foreign currencies, up \$6.2 billion from the level at March 31, 1996.

Foreign holdings of Government of Canada debt



Source: Statistics Canada.

Foreign holdings of the Government of Canada's outstanding market debt are estimated at \$119.7 billion at the end of March 1997. This represented 25.1 per cent of the government's total market debt, virtually unchanged from the previous year.

Table 6

Outstanding debt at year-end

	1993-94	1994-95	1995-96	1996-97
	(billions of dollars)			
Interest-bearing debt				
Unmatured debt	414.0	441.0	469.5	476.9
Pension and other accounts	100.5	109.2	116.9	123.7
Total interest-bearing debt	514.5	550.2	586.4	600.6
Other liabilities	31.9	34.6	38.3	40.1
Total liabilities (gross debt)	546.4	584.8	624.7	640.7
Less: Financial assets	38.2	39.1	50.4	57.5
Accumulated deficit (net public debt)	508.2	545.7	574.3	583.2

THE “SCORECARD”

This section compares the actual outcome for selected economic indicators and for the financial results with the forecasts presented in the March 1996 and February 1997 budgets.

The government’s deficit target for 1996-97, as presented in the March 1996 budget, was \$24.3 billion. As part of the government’s overall fiscal strategy, the deficit targets are based on the average of private sector economic forecasts available at that time. In addition, a prudence factor is applied to the interest rates in the average private sector forecast and the impacts are allowed to flow through to output and inflation. This procedure reflects the advice given at a December 1993 meeting with private sector economists and the recommendations of the House of Commons Standing Committee on Finance. The deficit targets also include a Contingency Reserve to cover risks arising from unpredictable events and unavoidable inaccuracies in the economic and fiscal models used to translate the economic assumptions into detailed budget forecasts. For 1996-97, the Contingency Reserve was set at \$2.5 billion.

In the March 1996 budget, it was assumed that the economic growth would be weak in the first half of 1996, due to slowing growth in the United States and the lagged impact of high interest rates in 1996. However, with the combined effects of lower inflationary pressures in the United States and success at both the federal and provincial government levels in addressing their respective fiscal imbalances, interest rates were expected to decline throughout 1996 and lead to stronger growth in the second half of the year. Economic growth of only 1.8 per cent was assumed for fiscal planning purposes, down from 2.2 per cent in 1995. Short-term interest rates were assumed to average 5.8 per cent in 1996, down from 7.0 per cent in 1995. Long-term rates were assumed, for fiscal planning purposes, to fall from 8.2 per cent in 1995 to 7.7 per cent in 1996.

Economic growth was weaker than expected in the first half of 1996. Real GDP advanced only 1.5 per cent, with both exports and domestic demand weakening considerably. As a result, nominal income – the applicable tax base for federal government budgetary revenues – was lower. However, interest rates declined much more than expected in the 1996 budget. Short-term rates were 160 basis points lower, while long-term rates were 50 basis points lower.

The deficit for 1996-97, at \$8.9 billion, was \$15.4 billion below the target of \$24.3 billion. Budgetary revenues were \$5.9 billion higher, program spending was \$4.2 billion lower, and public debt charges were \$2.8 billion lower. The Contingency Reserve of \$2.5 billion was not required.

Over half of the higher-than-expected revenues was attributable to one-time or special factors, not included at the time of the 1996 budget. These were the net proceeds from the sale of the Air Navigation System (\$1.5 billion), the acceleration of employment insurance premiums for those employees earning above the annual maximum insurable earnings (\$1 billion), and the reclassification of the air transport tax (\$0.7 billion) from program spending to budgetary revenues. Most of the remaining difference (\$2.7 billion) was largely attributable to higher-than-expected corporate income tax collections (up \$1.9 billion) and other income tax (\$0.7 billion), primarily non-resident withholding taxes, as the anticipated weakness in collections did not materialize.

Among the major components of program spending, major transfers to persons were \$1.7 billion lower while direct program spending was down \$2.0 billion. Lower employment insurance benefits accounted for most of the lower transfers to persons, as the number of beneficiaries in receipt of EI benefits was much lower than expected. Within direct program spending, higher spending in other transfers was more than offset by lower spending in the other components.

The higher spending in other transfers was attributable to reallocations of spending to this component from the other components comprising direct program spending. The overall decline in direct program spending was attributable to lower-than-expected year-end accounting adjustments. Changes in operating procedures in recent years have permitted departments to carry forward a portion of unused but committed funding, thereby providing more cost-effective management of resources and reducing the previous incentive for end-of-year spending.

Public debt charges were \$2.8 billion lower than forecast in the 1996 budget, due to the lower outcome for interest rates.

Non-budgetary transactions were slightly lower than assumed in the 1996 budget. However, with the much lower-than-expected deficit outcome, there was a financial surplus of \$1.3 billion in 1996-97, rather than a net requirement of \$13.7 billion.

The deficit outcome for 1996-97 was \$10.1 billion below the 1997 budget estimate of \$19 billion. Budgetary revenues were \$5.4 billion higher,

program spending was \$4.2 billion lower and public debt charges were \$0.5 billion lower. All components of budgetary revenues were higher with the exception of personal income tax collections. The better outcome largely reflected the much stronger-than-expected economic growth in the final quarter of 1996-97 and lower-than-expected end-of-year adjustments. Among budgetary revenues, corporate income tax collections were up \$1.2 billion. About 30 per cent of all corporate income tax collections for the year as a whole are received in February and March, reflecting the settlement period for most large corporations. This makes estimating the results for the year difficult. As corporate profits were relatively unchanged in 1996 from 1995, relatively weak settlement period collections were expected but did not materialize. GST collections were also \$1.2 billion higher than estimated in the 1997 budget, as collections were extremely strong in the final quarter of the fiscal year, reflecting the strength in consumer demand. Other revenues were \$1.9 billion higher, in part reflecting end-of-year accounting adjustments. The lower outcome for program spending was concentrated in direct program spending (down \$3.4 billion), primarily reflecting lower-than-expected end-of-year accounting adjustments.

Table 7

The scorecard

	Actual	1996 budget (forecast) (per cent)	1997 budget (estimate)
Economic indicators			
Real GDP	1.5	1.8	1.4
Nominal GDP			
Per cent change	2.8	3.3	2.7
\$ billions	798	806	798
Interest rates			
91-day Treasury bill rate	4.3	5.8	4.2
10-year government bond rate	7.2	7.7	7.2
(billions of dollars)			
Financial results			
Budgetary revenues			
Personal income tax	63.3	63.5	63.3
Corporate income tax	17.0	15.1	15.8
Employment insurance premiums	19.8	18.8	19.6
Goods and services tax	18.1	17.9	16.9
Sales and excise taxes/duties	11.0	10.4	10.1
Other revenues	11.7	9.3	9.8
<i>Total</i>	<i>140.9</i>	<i>135.0</i>	<i>135.5</i>
Program spending			
Major transfers to persons	34.0	35.7	34.7
Major transfers to other levels of government	22.6	23.0	22.6
Other transfers	17.5	15.5	18.3
Crown corporation expenditures	3.6	4.2	4.3
Defence	8.5	9.8	9.6
Other departmental spending	18.7	20.8	19.5
<i>Total</i>	<i>104.8</i>	<i>109.0</i>	<i>109.0</i>
Public debt charges	45.0	47.8	45.5
Contingency Reserve	0.0	2.5	0.0
Deficit	-8.9	-24.3	-19.0
Non-budgetary transactions	10.2	10.6	13.0
Financial requirements/surplus (excluding foreign exchange transactions)	1.3	-13.7	-6.0



OPINION OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance:

The accompanying condensed financial statements are derived from the complete financial statements of the Government of Canada, comprised of a statement of assets and liabilities as at March 31, 1997 and statements of revenues, expenditures and accumulated deficit, changes in financial position and transactions for the year then ended.

In my auditor's report dated July 28, 1997, I expressed a qualified opinion that, except for showing an \$800 million transaction related to the Canada Foundation for Innovation as if it were a liability, which overstates the 1996-97 deficit, accounts payable and accrued liabilities as well as the accumulated deficit by the same amount, the complete financial statements are, in all material respects, fairly presented in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements.

Management is responsible for the condensed financial statements. My responsibility is to compare the condensed financial statements with the Government of Canada's complete financial statements. In my opinion, the accompanying financial statements, in all material respects, fairly summarize the related complete financial statements (on which I expressed a qualified opinion).

A handwritten signature in dark ink, reading "L. Denis Desautels".

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 28, 1997

THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide Parliament and the public with an overview of the financial affairs and resources for which the government is responsible. Responsibility for the integrity and objectivity of these statements rests with the government.

The condensed financial statements reflect the financial position of the government at the end of the year, as well as its results of operations, deficit, financial requirements and changes in financial

position for the year. These financial statements and the accompanying notes are extracted and summarized from the audited financial statements included in Section 1 of Volume I of the 1997 *Public Accounts of Canada*, which are expected to be tabled in Parliament later this year. These condensed financial statements were prepared by the Government of Canada in accordance with the accounting policies set out in the accompanying notes on a basis consistent with that of the preceding year.

Table 8

Government of Canada Condensed statement of revenues and expenditures for the year ended March 31, 1997

	1997	1996
	(millions of dollars)	
Revenues		
Tax revenues		
Income tax	87,989	82,838
Excise taxes and duties	31,970	30,086
Employment insurance premiums	19,816	18,510
	<u>139,775</u>	<u>131,434</u>
Non-tax revenues	12,697	10,659
Total gross revenues	152,472	142,093
Amounts deducted to arrive at net revenues	11,576	11,792
Total net revenues	140,896	130,301
Expenditures		
Transfer payments		
Old Age Security and related payments	21,207	20,430
Employment insurance benefits	12,380	13,476
Other levels of government	22,564	26,474
Other transfer payments	25,571	26,168
	<u>81,722</u>	<u>86,548</u>
Crown corporation expenditures	4,823	6,040
Other program expenditures	29,851	31,217
Total gross program expenditures	116,396	123,805
Amounts deducted to arrive at net program expenditures	11,576	11,792
Total net program expenditures	104,820	112,013
Interest on debt	44,973	46,905
Total net expenditures	149,793	158,918
Deficit for the year	8,897	28,617
Accumulated deficit		
Beginning of year	574,289	545,672
End of year	583,186	574,289

Table 9

Government of Canada
Condensed statement of assets and liabilities
as at March 31, 1997

	1997	1996
	(millions of dollars)	
Liabilities		
Current liabilities and allowances		
Accounts payable and accruals	29,667	28,584
Allowances for guarantees and employee benefits	10,433	9,730
	40,100	38,314
Interest-bearing debt		
Pension and other accounts		
Public sector pensions	114,205	107,882
Canada Pension Plan (net of securities)	3,718	3,636
Other	5,782	5,322
	123,705	116,840
Unmatured debt		
Marketable bonds	282,498	252,700
Treasury bills	135,400	166,100
Canada Savings Bonds	32,470	30,460
Bonds for Canada Pension Plan	3,468	3,478
Total payable in Canadian currency	453,836	452,738
Payable in foreign currencies	23,016	16,809
	476,852	469,547
<i>Total interest-bearing debt</i>	<i>600,557</i>	<i>586,387</i>
Total liabilities	640,657	624,701
Assets		
Current assets		
Cash	10,175	9,044
Accounts receivable (net of allowance for doubtful accounts)	4,416	5,972
	14,591	15,016
Foreign exchange accounts	26,813	19,054
Loans, investments and advances		
Enterprise Crown corporations	13,842	14,663
Other	12,779	12,949
	26,621	27,612
Less: Allowance for valuation	10,554	11,270
	16,067	16,342
Total assets	57,471	50,412
Accumulated deficit	583,186	574,289

Government of Canada
Notes to the Condensed Financial
Statements

Introduction

These notes are a brief summary of the accounting policies followed by the Government of Canada and other explanatory material related to these condensed financial statements. For more detailed notes on accounting policies and for more extensive information on the financial position and results of operations of the government, the reader

should refer to the audited financial statements in Section 1 of Volume I of the 1997 *Public Accounts of Canada*.

Significant accounting policies

Reporting entity

The Government of Canada as a reporting entity includes the financial activities of all departments, agencies, corporations and funds which are owned or controlled by the government and which are accountable to Parliament, except for the Canada Pension Plan and enterprise Crown corporations.

Table 10

Government of Canada
Condensed statement of changes in financial position
for the year ended March 31, 1997

	1997	1996
	(millions of dollars)	
Net cash requirements:		
Cash provided by (required for) operating activities		
Deficit for the year	(8,897)	(28,617)
Add expenditures not requiring cash	9,228	9,583
<i>Cash provided by (used for) operations</i>	331	(19,034)
Net payments from pension and other accounts	(3,902)	(3,182)
Net change in current assets and liabilities	4,165	2,372
	594	(19,844)
Cash required for investing activities		
Net increase in foreign exchange accounts	7,759	4,704
Net decrease in loans, investments and advances	(991)	(3,660)
	6,768	1,044
Net cash requirements	6,174	20,888
Financed by:		
Net increase (decrease) in borrowings		
Canadian currency	1,098	28,661
Foreign currencies	6,207	(112)
	7,305	28,549
Net change in cash	1,131	7,661
Cash at beginning of year	9,044	1,383
Cash at end of year	10,175	9,044

The Canada Pension Plan, which is under joint control of the government and participating provinces, is financed from contributions by employees, their employers, and self-employed persons, and interest earned on investments which are mainly in provincial government securities. Enterprise Crown corporations, which are reported as investments, are not dependent on the government for financing their activities.

Basis of accounting

In general, the government accounts for transactions on an accrual basis with two notable exceptions:

- Tax revenues and related refunds are generally accounted for on a cash basis (when taxes are collected and refunds are paid out), except for certain significant refunds which are reported on an accrual basis.

- Capital assets and inventories are fully charged to expenditures at the time of acquisition or construction.

As a consequence, the only assets recorded on the Condensed Statement of Assets and Liabilities are financial assets, as they can provide resources to discharge liabilities or finance future operations. These assets include cash, gold, receivables, as well as loans, investments and advances. Assets are recorded at the lower of cost or net estimated realizable value, except for gold (1997 – 3.1 million ounces at \$67.20 per ounce; 1996 – 3.3 million ounces at \$69.51 per ounce), which is valued at its approximate cost in foreign currency terms.

Liabilities are generally recorded on an accrual basis. Public sector pension and severance liabilities are determined on an actuarial basis.

Valuation allowances are established for outstanding loan guarantees, concessionary and sovereign loans, and other obligations. Unmatured debt is recorded at face value with foreign currency amounts translated to Canadian dollar equivalents using rates at March 31.

Some amounts in these statements, such as public sector pensions, are based on estimates and assumptions made by the government, all of which are believed to be reasonable at this time. By their nature, such estimates are subject to measurement uncertainty. If actual events differ from these estimates and assumptions, this could have a significant effect on the results reported in the condensed financial statements in future years.

Comparative figures for 1996 are reclassified to conform to the current year's presentation.

Reporting of revenues and expenditures on a gross basis

Detailed amounts on the Condensed Statement of Revenues and Expenditures are presented on a full (gross) disclosure basis only. Gross revenues include revenues of consolidated Crown corporations, and revenues of government departments which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditures include expenditures determined through the tax system, such as Child Tax Benefit payments and quarterly GST tax credits, that are deducted from revenues on the net basis. The Statement of Revenues and Expenditures in the audited financial statements in Section 1 of Volume I of the *Public Accounts of Canada* presents detailed amounts on both a gross and net basis.

Authorities for transactions

Authority of Parliament is required before revenue can be raised and moneys spent or borrowed by the government. Spending authorities on a net basis granted by Parliament were \$153.5 billion (\$163.1 billion in 1996), whereas \$149.8 billion (\$158.9 billion in 1996) was spent.

Of the total borrowing authority of \$18.7 billion (\$28.9 billion in 1996), \$6.8 billion (\$28.7 billion in 1996) was used.

Public sector pensions

Separate funds are not set aside to provide for payment of pension benefits to government employees, Members of Parliament, the Canadian Forces, the RCMP, and judges. Pension liabilities are estimated annually using the government's best estimates for demographic and economic assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of these liabilities.

Contractual commitments

The nature of the government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. Contractual commitments pertain to transfer payment agreements, capital asset acquisitions and other purchases, operating and capital leases, funding of international organizations, and benefit plans for veterans. At March 31, 1997 contractual commitments amounted to approximately \$27.0 billion (\$26.0 billion in 1996). Estimated annual payments related to these commitments for the next five years decrease from \$6.9 billion in 1998 to \$3.5 billion in 2002.

Insurance programs

Three enterprise Crown corporations – Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Corporation – operate insurance programs for the government. These programs are intended to be self-sustaining, but in the event that the corporations have insufficient funds, the government will have to provide financing. Insurance in force at March 31, 1997 amounted to approximately \$462 billion (\$454 billion in 1996). The government expects that it will not incur any costs to cover the claims for these insurance programs.

Contingent liabilities

The contingent liabilities of the government, generally, are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. They are recorded in the accounts of Canada when they become actual liabilities. However, potential losses on loan guarantees, including those in respect of borrowings of enterprise Crown corporations, are recorded as actual liabilities when it is likely that a future payment will be made and the amount of the potential loss can be reasonably determined.

Contingent liabilities result from the exercise of guarantees; environmental contingencies; callable share capital in international organizations; claims, and pending and threatened litigation; and like items. At March 31, 1997, these contingent liabilities amounted to approximately \$71.7 billion (\$68.7 billion in 1996), of which \$5.3 billion (\$5.4 billion in 1996) related to loan guarantees and borrowings of enterprise Crown corporations recorded as liabilities in the financial statements.

Other sources of information

The Public Accounts of Canada

The *Public Accounts of Canada*, as required under Section 64(1) of the Financial Administration Act, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the government's audited financial statements and supporting schedules and information; and
- Volume II contains details of financial operations by Ministry (Part I) and additional information and analyses (Part II).

The Budget

The budget that is introduced, usually in February, presents the government's overall fiscal plan, incorporating revenue projections and spending plans which combine to determine the resulting budgetary deficit. The budget also introduces proposals for changes in taxation.

The Estimates

The Estimates are the detailed annual expenditure plans submitted to Parliament each spring. The Estimates are presented in three parts:

- Part I presents an overview of the government's expenditure plan;
- Part II outlines spending according to departments, agencies and programs; and
- Part III provides additional detail on each department and its programs.

The Debt Operations Report

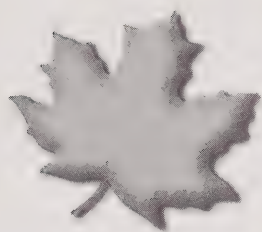
This annual document provides an overview of the federal government's borrowing operations. It outlines the key elements of current federal debt strategy and describes various strategic and operational aspects of the government's debt program and cash management activities over the past fiscal year.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the government together with the reasons underlying major variances.

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Government
Publications



ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal Year 1997-98



Canada

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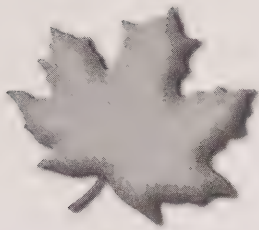
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ANNUAL FINANCIAL REPORT

of the Government of Canada

Fiscal Year 1997-98

For the fiscal year 1997-98, the Government of Canada recorded a budgetary surplus of \$3.5 billion. This is the first federal budgetary surplus since 1969-70. It represents a major turnaround in federal government finances from a deficit of \$42 billion in 1993-94. This is a historic milestone and represents an achievement of which all Canadians can truly be proud. Without their efforts, it would not have been possible. This turnaround also underlines the soundness of the government's fiscal strategy – basing budget plans on prudent planning assumptions backed by a sizeable Contingency Reserve – which has engendered economic conditions conducive to growth and job creation.

The *Annual Financial Report* responds to recommendations by the Auditor General and the House of Commons Standing Committee on Public Accounts. The government shares their view that providing Canadians with accurate, relevant and timely information on its financial activity in an understandable form enhances government accountability, and enables Canadians to play a more active and effective role in guiding government decision making.

The government believes that transparency and accountability to Parliament and Canadians are best served by recording liabilities in the year in which they occur. We have been consistent in this practice.



Department of Finance
Canada

Ministère des Finances
Canada

Accordingly, I am disappointed that the Auditor General has again expressed a qualified opinion on the financial statements – this year regarding the recording of the liability for the Canada Millennium Scholarship Foundation. The government is of the view that, in substance, this transaction represented a financial liability which must be accounted for in the 1997-98 financial statements. We sought the advice of two leading firms in the accounting profession who indicated that this was an area where the government should be using its professional judgement. In addition, the Standing Committee on Public Accounts endorsed the government's accounting treatment. The government must be held accountable for the liabilities that it makes – in the year they are made – rather than leaving them to some future date.

The financial data in this report are based on the audited results that will appear in the 1998 *Public Accounts of Canada*, scheduled for tabling in the House of Commons this fall. It covers the federal government's spending and revenue performance for the past fiscal year (April 1, 1997 – March 31, 1998) and details the factors affecting these results. Historical data will be published in a separate document entitled *Fiscal Reference Tables*, pending the release of historical revisions to the National Income and Expenditure Accounts by Statistics Canada.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance

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REPORT HIGHLIGHTS

There was a budgetary surplus of \$3.5 billion in 1997-98. This was:

- the first surplus since 1969-70;
- an improvement of \$12.4 billion from the deficit of \$8.9 billion recorded in 1996-97;
- an improvement of \$45.5 billion from the record deficit of \$42 billion reported in 1993-94; and
- \$20.5 billion better than the original deficit target of \$17.0 billion for 1997-98 – the fourth consecutive year in which the final outcome has come in better than the original target.

Since 1993-94, there has been a dramatic turnaround in the finances of the federal government. From a budgetary deficit of \$42 billion, or 5.8 per cent of gross domestic product (GDP), there is now a surplus of \$3.5 billion, or 0.4 per cent of GDP. This turnaround in the budgetary balance of 6.2 percentage points of GDP largely resulted from a 3.9-percentage-point decline in program spending as a share of GDP – representing about 62 per cent of the overall improvement in the budgetary balance. Budgetary revenues increased by 1.9 percentage points of GDP – representing about 31 per cent of the overall improvement in the budgetary balance.

Public debt charges declined by 0.5 percentage point, accounting for 7 per cent of the improvement in the budgetary balance.

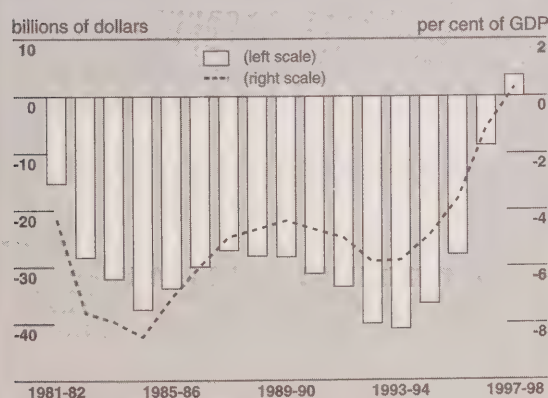
There are two changes in accounting policies that were announced in the 1998 budget. The method used to calculate interest costs on obligations for public sector pensions has been changed in order to comply with the recommendations of the Public Sector Accounting and Auditing Board (PSAAB) and the Auditor General. Also, the method of accounting for assistance to international financial institutions has been changed to more closely correlate recording of expenditures with program activity. The net impact of these changes is to increase the budgetary surplus by \$0.7 billion in 1997-98.

The net public debt

The 1997-98 budgetary surplus brought the federal government's net public debt – the accumulation of annual deficits and surpluses – down to \$579.7 billion from \$583.2 billion in 1996-97.

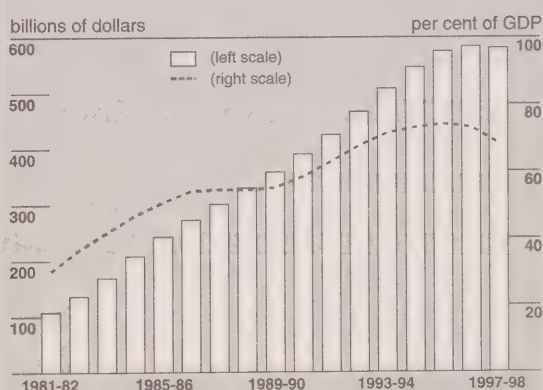
- This marks the first year in which net public debt has declined since 1969-70.

The budgetary balance and the economy



Source: *Public Accounts of Canada* and Statistics Canada.

Net federal debt and the economy



Source: *Public Accounts of Canada* and Statistics Canada.

As a share of Canada's economy, the net public debt dropped to 67.8 per cent, down from 71.1 per cent in 1996-97.

- This was the second consecutive year in which the debt-to-GDP ratio has declined – the first back-to-back declines since the mid-1970s.
- The ratio is now back to where it was five years ago.

The net public debt at the end of 1997-98 was \$19,186 for each Canadian, down from \$19,501 a year earlier.

Net public debt consists of interest-bearing debt and other liabilities, net of financial assets. Interest-bearing debt, in turn, consists of unmatured, or market debt, and the government's liabilities to internally held accounts such as federal employees' pension plans.

- In 1997-98, interest-bearing debt declined \$5.7 billion to \$594.8 billion.
- Of this amount, market debt declined by \$9.6 billion to \$467.3 billion. This reflected a lower stock of Treasury bills (down \$23.1 billion) and Canada Savings Bonds (down \$2.7 billion), offset in part by higher marketable bonds (up \$16.3 billion).

Table 1

Financial highlights

	1993-94	1994-95	1995-96	1996-97	1997-98
	(billions of dollars)				
Budgetary transactions					
Revenues	116.0	123.3	130.3	140.9	153.2
Program spending	-120.0	-118.7	-112.0	-104.8	-108.8
Operating balance	-4.0	4.6	18.3	36.1	44.4
Public debt charges	-38.0	-42.0	-46.9	-45.0	-40.9
Budgetary balance	-42.0	-37.5	-28.6	-8.9	3.5
Non-budgetary transactions	12.2	11.6	11.4	10.2	9.3
Financial requirements/surplus (excludes foreign exchange transactions)	-29.9	-25.8	-17.2	1.3	12.7
Foreign exchange transactions	-2.1	-1.4	-4.7	-7.8	-2.2
Net financial balance	-32.0	-27.3	-21.9	-6.5	10.6
Net change in borrowings	31.2	27.0	28.5	7.3	-9.6
Net change in cash balances	-0.7	-0.2	6.7	0.8	1.0
Financial position					
Total liabilities	-546.4	-584.8	-624.7	-640.7	-638.5
Total assets	38.2	39.1	50.4	57.5	58.8
Accumulated deficit (net public debt)	-508.2	-545.7	-574.3	-583.2	-579.7
Financial results (% of GDP)					
Budgetary revenues	16.0	16.2	16.3	17.2	17.9
Program spending	-16.6	-15.6	-14.0	-12.8	-12.7
Public debt charges	-5.2	-5.5	-5.9	-5.5	-4.8
Budgetary balance	-5.8	-4.9	-3.6	-1.1	0.4
Net public debt	-70.1	-71.6	-71.9	-71.1	-67.8

Note: Results for 1997-98 incorporate impact of accounting changes. These had the effect of increasing program spending by \$2.0 billion and reducing public debt charges by \$2.7 billion. The net impact was to increase the budgetary surplus by \$0.7 billion.

Financial surplus of \$12.7 billion

The budgetary balance is one measure of the government's fiscal position. There are other important measures as well. Financial requirements/surplus measure the difference between cash coming in to the government and cash going out. Most industrialized countries currently use a measure comparable to the financial requirements/surplus as their main budgetary measure.

- There was a financial surplus (excluding foreign exchange transactions) of \$12.7 billion in 1997-98 – the second consecutive year in which a financial surplus was recorded.
- Among the other Group of Seven (G-7) countries, only the United States reported a financial surplus for the 1997-98 fiscal year.

During the course of the fiscal year, there was a net requirement of \$2.2 billion relating to foreign exchange transactions. As a result, the net financial surplus, including foreign exchange requirements, was \$10.6 billion. This compares to a net financial requirement of \$6.5 billion in 1996-97.

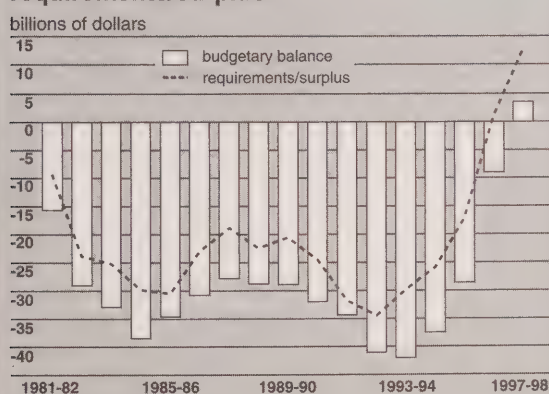
The government used this net financial surplus of \$10.6 billion to retire \$9.6 billion of market debt and to increase its cash balances by \$1.0 billion. Cash balances at the end of 1997-98 stood at \$10.4 billion.

Budgetary balance improves by \$12.4 billion from 1996-97

The budgetary surplus of \$3.5 billion in 1997-98 represented an improvement of \$12.4 billion from the budgetary deficit of \$8.9 billion recorded in 1996-97.

- Budgetary revenues were up \$12.3 billion, or 8.7 per cent, mainly reflecting the impact of strong economic growth on personal and corporate income tax collections.
- Public debt charges declined \$4.0 billion, or 9.0 per cent, due to a lower average effective interest rate on interest-bearing debt, a decline in the stock of interest-bearing debt, and a change in accounting for interest costs related to public sector pension plans.
- In contrast, program spending increased \$3.9 billion, or 3.8 per cent. The entire increase was more than accounted for by one-time factors which added \$5.5 billion to program spending in 1997-98: the recording of liabilities for the Canada Millennium Scholarship Foundation (\$2.5 billion), compensation for hepatitis C victims (\$0.8 billion), the aboriginal healing strategy (\$0.35 billion), and the change in accounting for assistance to international financial institutions (\$1.8 billion). Without these one-time increases, program spending in 1997-98 would have fallen below its 1996-97 level.

Budgetary balance and financial requirements/surplus*



*Excluding foreign exchange transactions.

Source: *Public Accounts of Canada* and Statistics Canada.

Budgetary outcome better targets for fourth consecutive year

The government's fiscal strategy is to set two-year rolling budget targets, base these targets on prudent economic planning assumptions, and back up these assumptions with sizeable Contingency Reserves. These operating guidelines have ensured that the final fiscal outcome has come in better than targeted in each year this strategy has been in place.

The original deficit target for 1997-98, as set out in the December 1995 *Economic and Fiscal Update* and restated in the 1996 and 1997 budgets, was \$17.0 billion, or 2 per cent of GDP. However, on September 23, 1997, the government indicated in the Speech from the Throne to open the First Session of the Thirty-Sixth Parliament of Canada that the deficit would be eliminated no later than 1998-99. In the 1998 budget, the Minister of Finance indicated that the budget would be balanced in 1997-98.

The budgetary surplus was \$3.5 billion higher than the balanced budget estimate announced in the 1998 budget.

- Budgetary revenues were \$5.7 billion higher, primarily due to higher personal and corporate income tax collections, reflecting strong collections in the final quarter of 1997-98 and recoveries related to previous fiscal years.
- Public debt charges were \$0.6 billion lower.
- In contrast, program spending was \$2.8 billion higher, reflecting higher-than-expected end-of-year accounting adjustments for liabilities incurred during the year.

The budgetary surplus for 1997-98 was \$20.5 billion better than the original deficit target of \$17.0 billion, set out in the 1997 budget.

- Budgetary revenues were \$15.4 billion higher, of which \$6.3 billion was attributable to higher corporate income tax collections, reflecting the much stronger-than-expected growth in corporate profits.
- Public debt charges were \$5.1 billion lower, due to lower-than-estimated interest rates and the impact of the accounting change for interest on public sector pension plans.
- The Contingency Reserve of \$3.0 billion, included in the original deficit target of \$17.0 billion, was not required.
- Program spending was \$3.0 billion higher, solely attributable to the one-time spending included in 1997-98.

ECONOMIC DEVELOPMENTS IN 1997

The main factors affecting the financial results are:

- variations in economic conditions;
- the interaction of the tax system with economic developments; and
- the impact of budget actions.

This section briefly reviews economic developments in 1997.

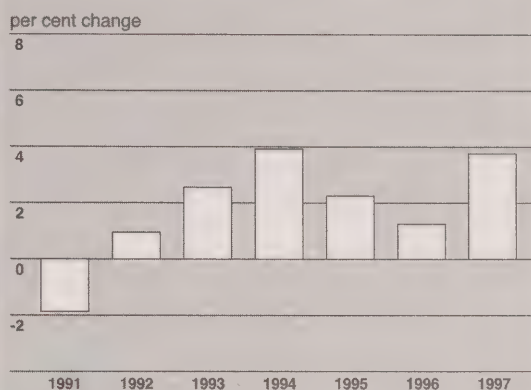
Economic growth rebounded sharply in 1997. Real GDP – which excludes the effect of inflation – grew 3.7 per cent, well above the 1.2-per-cent pace set in 1996. The growth in 1997 reflected a response by the interest-sensitive sectors of the economy to the stimulative monetary conditions prevailing in the latter half of 1996 and throughout 1997. However, owing to the high import propensities of some of the strongest growing domestic demand categories, particularly machinery and equipment investment and consumer durables, import growth outpaced that of exports, making the trade sector a drag on growth in 1997.

Inflation pressures remained subdued in 1997, with inflation remaining in the lower half of the Bank of Canada's target range of 1 per cent to 3 per cent. The inflation rate, as measured by the all-items Consumer Price Index (CPI), was just 1.6 per cent in both 1996 and 1997. The GDP deflator, the broadest measure of domestic prices, increased by only 0.5 per cent in 1997 after rising 1.4 per cent the previous year.

As a result, nominal GDP advanced by 4.2 per cent in 1997, up sharply from the gain of 2.7 per cent recorded in 1996. Among the major income components, corporate profits before taxes were up 16.2 per cent while wages, salaries and supplementary labour income advanced by 3.8 per cent.

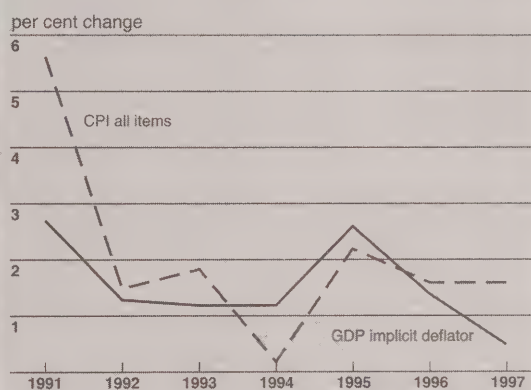
The key economic variables affecting the federal government's financial results are employment growth, personal income, corporate profits, personal expenditures on goods and services, and interest rates.

Real GDP growth



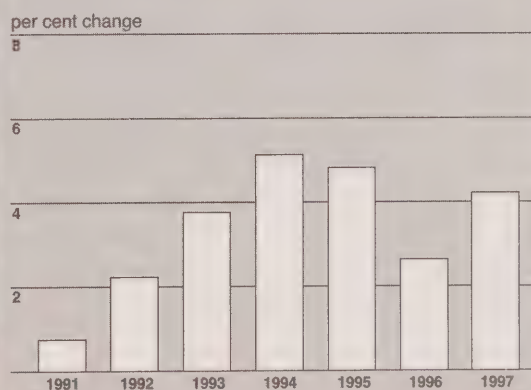
Source: Statistics Canada.

Prices and costs



Source: Statistics Canada.

Nominal GDP growth



Source: Statistics Canada.

Personal income is the proxy tax base for personal income tax collections. However, personal income tax collections are affected not only by the growth in personal income but also by its composition. In addition, there are some components of income that are taxed, such as capital gains and income from trustee pension plans, but not included as part of personal income as measured by Statistics Canada.

As a result, the growth in personal income may not accurately reflect the growth in assessed income for personal income taxation purposes and, therefore, the growth in personal income tax collections.

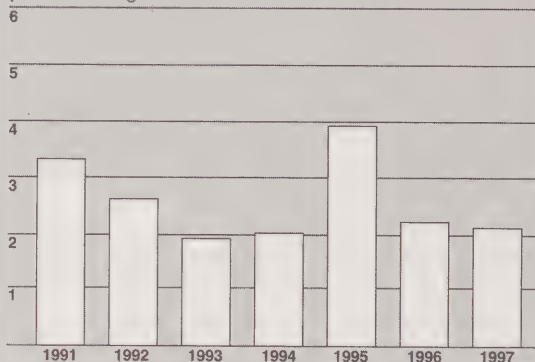
Personal income advanced by 2.1 per cent in 1997, down slightly from the increase of 2.2 per cent experienced in 1996. However, labour income (wages, salaries and supplementary labour income), which accounts for nearly two-thirds of personal income, increased a strong 3.8 per cent in 1997 after rising 2.5 per cent in 1996. Employment and wage gains contributed roughly equally to labour income growth in 1997. Employment grew 1.9 per cent in 1997, well above the 1.3-per-cent gain recorded in 1996. Labour income per employee rose 1.8 per cent in 1997, up from 1.2 per cent in 1996.

In contrast, growth in the other components of personal income slowed from 1996. Net income of non-farm unincorporated businesses was up only 2.7 per cent, following an increase of 8.7 per cent in 1996. Interest, dividend and miscellaneous investment receipts declined 4.3 per cent, reflecting the impact of lower interest rates. However, this component does not include capital gains or income from trustee pension plans which were up strongly in 1997. Transfer payments, which primarily include government transfers such as elderly and employment insurance benefits, increased by only 0.5 per cent, virtually unchanged from the increase of 0.6 per cent for 1996.

Corporate profits, the applicable tax base for corporate income tax collections, rose 16.2 per cent in 1997, a significant rebound

Personal income

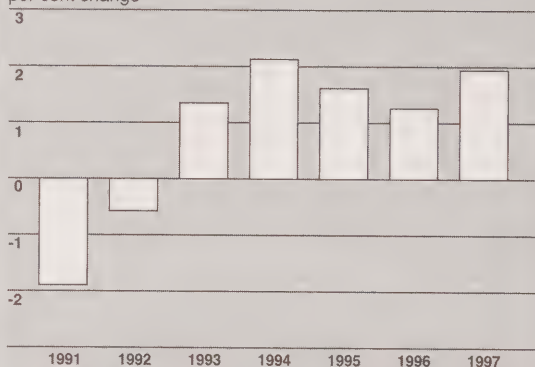
per cent change



Source: Statistics Canada.

Employment growth

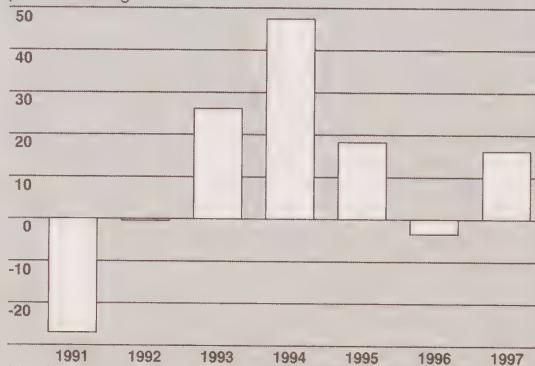
per cent change



Source: Statistics Canada.

Corporate profits

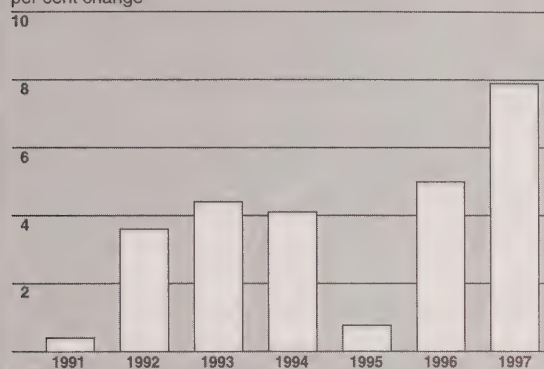
per cent change



Source: Statistics Canada.

Personal expenditures (excluding food and rent/ including housing)

per cent change



Source: Statistics Canada.

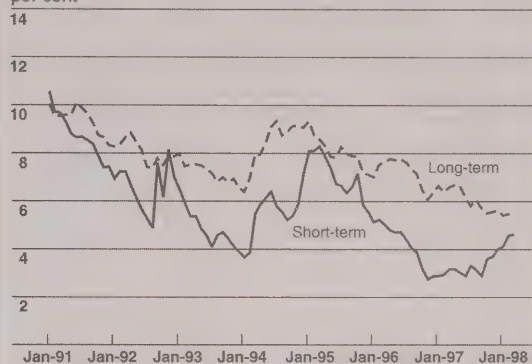
from the decline of 3.4 per cent reported in 1996. Strong gains were reported in most sectors. The corporate profit share of GDP increased to 9.2 per cent from 8.3 per cent in 1996, and was well above its trough of 4.5 per cent at the beginning of 1992.

A proxy for the goods and services tax base is personal spending on goods and services excluding food and rent but including residential construction. The value of these expenditures increased 7.9 per cent in 1997, up from a gain of 5.0 per cent in 1996. Strong advances were recorded in expenditures on durable goods and residential construction.

Although short-term interest rates rose over the course of 1997, they were lower, on average, than in 1996 (3.2 per cent in 1997 versus 4.2 per cent in 1996). Moreover, the 10-year government benchmark rate declined to average 6.1 per cent in 1997, compared to 7.2 per cent in 1996.

Interest rates

per cent



Source: Statistics Canada.

Table 2

Key economic indicators

	1996	1997
	(year-to-year per cent change unless otherwise indicated)	
Real GDP	1.2	3.7
Inflation		
CPI	1.6	1.6
GDP implicit price deflator	1.4	0.5
Nominal GDP	2.7	4.2
Personal income	2.2	2.1
Wages, salaries and supplementary labour income	2.5	3.8
Unincorporated business net income	8.7	2.7
Interest, dividend and miscellaneous investment receipts	-0.5	-4.3
Current transfers	0.6	0.5
Labour market		
Employment	1.3	1.9
Unemployment rate (%)	9.7	9.2
Corporate profits	-3.4	16.2
Personal expenditures	3.9	5.9
Personal expenditures excluding food and rent but including residential construction	5.0	7.9
Interest rates		
3-month Treasury bill rate (%)	4.2	3.2
10-year government benchmark rate (%)	7.2	6.1

BUDGETARY REVENUES

Table 3 shows budgetary revenues on both a budgetary or "net" basis as well as on a "gross" basis. The results on a gross basis are often more reflective of the underlying economic developments, whereas the net figures reflect the way in which the revenue and spending estimates are presented to Parliament. The difference primarily relates to the classification of:

- certain tax expenditures such as the child tax benefit and low-income GST credit;
- revenues of consolidated Crown corporations; and
- revenues levied by departments for specific services such as the costs of police services in provinces.

The major components of budgetary revenues are:

- personal income tax collections;
- corporate income tax collections;
- other income tax collections, primarily consisting of non-resident taxes;
- employment insurance (EI) premium revenues;
- goods and services tax (GST) collections;

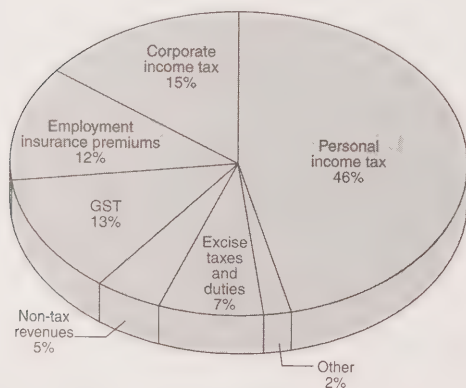
- other excise taxes and duties, including customs import duties, excise taxes on motive fuels, and excise taxes and duties primarily on tobacco and tobacco products and the air transportation tax; and
- non-tax revenues which include a return on investments and other non-tax revenues such as net proceeds from the sale of assets, user charges, etc.

Budgetary revenues, on a gross basis, amounted to \$164.4 billion in 1997-98, an increase of \$11.9 billion, or 7.8 per cent, from the level reported in 1996-97. Gross revenues were \$11.2 billion higher than net revenues in 1997-98, of which \$5.4 billion was for the child tax benefit, \$2.9 billion for the low-income GST credit, \$1.2 billion for revenues of consolidated Crown corporations, and \$2.2 billion for revenues levied by departments which are credited back to the programs giving rise to these revenues. In contrast, old age security benefit repayments increased net revenues by \$0.5 billion.

On a net basis, budgetary revenues amounted to \$153.2 billion, an increase of \$12.3 billion, or 8.7 per cent from the 1996-97 level. This increase was largely attributable to the growth in the economy and the interaction of the tax system with economic developments.

Personal income tax collections in 1997-98, on a net basis, were up \$7.5 billion, or 11.9 per cent. This compares to an increase of 5.2 per cent in 1996-97. The increase in net collections in 1997-98 was significantly greater than the growth in personal income – a proxy for the applicable tax base for personal income tax collections – which rose by only 2.1 per cent in 1997. This reflects a number of factors. As noted earlier, there were significant differences in growth rates of components within personal income, with strong gains in wages and salaries, the largest component of personal income, but a decline in personal investment income (interest, dividend and investment receipts) and

Net revenues for 1997-98



Source: *Public Accounts of Canada*.

a substantial slowing in the rate of growth in net income from unincorporated businesses. Within net personal income tax collections, source deductions – which represent withholdings from wages and salaries – were also up strongly, broadly consistent with the gain in wages and salaries. Statistics Canada's measure of personal investment income excludes some components of income subject to taxation such as capital gains and income from trustee pension plans. These components reported strong advances in 1997, thereby resulting in higher tax collections. In addition, remittance requirements and timing factors also contributed to the stronger increase in collections relative to the increase in the underlying tax base. For example, quarterly instalment payments were up sharply.

Taxpayers, primarily the self-employed and those in receipt of investment income, who have tax liabilities not subject to withholding in excess of a specified threshold in one taxation year, are required to make quarterly instalment payments in the following year. Increased tax liabilities in 1996 on income not subject to withholding, resulted in more taxpayers required to make instalment payments in 1997. Taxes paid on filing in early 1997-98 with respect to the 1996 taxation year were higher, while refunds paid in 1997-98 with respect to both taxation years 1996 and 1997 were lower. Finally, the interaction of the personal income tax system to changes in assessed income also contributed to net collections increasing faster than the implied increase in the underlying tax base.

Table 3

Budgetary revenues

	1996-97		1997-98		Net change	
	Gross	Net	Gross	Net	Absolute	Per cent
	(millions of dollars)					(%)
Income tax collections						
Personal income tax	68,122	63,282	75,672	70,787	7,505	11.9
Corporate income tax	17,020	17,020	22,496	22,496	5,476	32.2
Other	2,847	2,847	2,974	2,974	127	4.5
Total	87,989	83,149	101,142	96,257	13,108	15.8
Employment insurance premium revenues	19,816	19,816	18,802	18,802	-1,014	-5.1
Excise taxes and duties						
Goods and services tax	20,951	18,079	22,353	19,461	1,382	7.6
Customs import duties	2,676	2,676	2,766	2,766	90	3.4
Other excise taxes/duties						
Energy taxes	4,467	4,467	4,638	4,638	171	3.8
Other	3,876	3,876	3,995	3,995	119	3.1
Total	8,343	8,343	8,633	8,633	290	3.5
Total	31,970	29,098	33,752	30,860	1,762	6.1
Total tax revenues	139,775	132,063	153,696	145,919	13,856	10.5
Non-tax revenues						
Return on investments	4,276	4,210	4,511	4,427	217	5.2
Other non-tax revenues	8,421	4,623	6,155	2,816	-1,807	-39.1
Total	12,697	8,833	10,666	7,243	-1,590	-18.0
Total revenues	152,472	140,896	164,362	153,162	12,266	8.7

Corporate income tax collections were up \$5.5 billion, or 32.2 per cent. Corporate profits were up 16.2 per cent. However, profits were significantly higher in those sectors with higher effective tax rates (primarily the financial sector), while weakness was reported in those with lower effective tax rates (non-financial sector). In addition, a one-time adjustment of \$0.6 billion for recoveries from the Provincial Tax Collection Account with respect to taxation year 1996 was included in the 1997-98 results. Other income taxes, primarily non-resident withholding taxes, were up \$0.1 billion.

Employment insurance premium revenues declined \$1.0 billion, primarily attributable to the remittance change which resulted in a one-time positive cash-flow impact in 1996-97. Effective January 1, 1997, the base to which the premium rates are applied was changed from weekly maximum insurable earnings to annual maximum insurable earnings. Although the annual amount paid is unchanged for most employees and their employers, those employees earning above the annual maximum insurable earnings are now required to pay more of their premium liability earlier in the calendar year and less in the latter part of the calendar year. As the government's fiscal year overlaps the calendar year, there was a one-time positive cash-flow impact in the last quarter of 1996-97 of about \$1 billion. The effect of lower premium rates during the fiscal year, from \$2.95 (employee rate per \$100 of insurable earnings) effective January 1, 1996 to \$2.90 effective January 1, 1997 to \$2.70 effective January 1, 1998, was offset by more people being employed.

Total excise taxes and duties increased \$1.8 billion, or 6.1 per cent in 1997-98, down from the gain of \$2.5 billion recorded in 1996-97. However, the gain in 1996-97 was affected by the reclassification of the air transportation tax from program spending to budgetary revenues, effective April 1, 1996.

- GST collections were up \$1.4 billion, or 7.6 per cent, in line with the growth in the applicable tax bases.

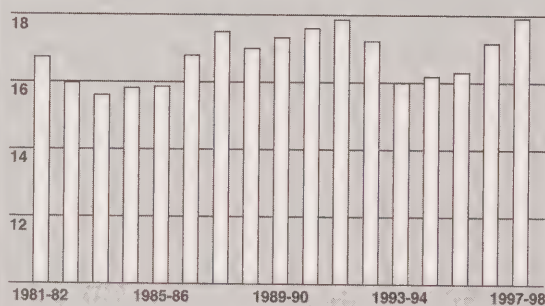
- Customs import duties were up \$0.1 billion, or 3.4 per cent, as the growth in imports in 1997 more than offset the reductions in tariffs specified under international agreements.
- Other excise taxes and duties were up \$0.3 billion, or 3.5 per cent, in 1997-98, reflecting the growth in the applicable tax bases.

Non-tax revenues declined \$1.6 billion, or 18.0 per cent, in 1997-98. Virtually all of this decline was due to the inclusion in 1996-97 of the net proceeds (\$1.5 billion) from the sale of the Air Navigation System.

As a percentage of GDP, net revenue, or the "revenue ratio", stood at 17.9 per cent, up from 17.2 per cent recorded in 1996-97. This increase reflects the interaction of the tax system to changes in the economy, as well as the very strong growth in corporate income tax collections compared to the growth in net corporate profits. In addition, there are some components of income, such as capital gains and pension income from trustee pension plans, that are subject to taxation but not included in the definition of nominal GDP. These factors serve to overstate the increase in the revenue ratio.

The revenue ratio

per cent of GDP
20



Source: Department of Finance and Statistics Canada.

BUDGETARY EXPENDITURES

Table 4 presents budgetary expenditures on both a gross and net basis. Gross budgetary expenditures include certain expenditures that are determined through the income tax system

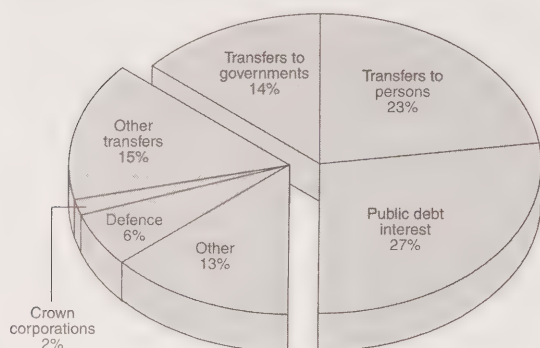
such as the child tax benefit and the low-income GST credit. Gross expenditures include the spending of consolidated Crown corporations rather than the net federal expenditures to these

Table 4

Budgetary expenditures

	1996-97		1997-98		Net change	
	Gross	Net	Gross	Net	Absolute	Per cent
	(millions of dollars)				(%)	
Major transfers to persons						
Elderly benefits	21,207	21,606	21,758	22,225	619	2.9
Employment insurance benefits	12,380	12,380	11,842	11,842	-538	-4.3
Income tax expenditures						
Child tax benefit	5,239		5,352			
Low-income GST Credit	2,872		2,892			
Total	41,698	33,986	41,845	34,067	81	0.2
Major transfers to other levels of government						
Canada Health and Social Transfer	14,758	14,758	12,612	12,612	-2,146	-14.5
Fiscal arrangements	9,418	9,418	10,000	10,000	582	6.2
Alternative Payments for Standing Programs	-2,014	-2,014	-2,108	-2,108	-94	4.7
Total	22,162	22,162	20,504	20,504	-1,658	-7.5
Direct program spending						
Subsidies and other transfers						
Agriculture and Agri-Food	1,035	1,035	817	817	-218	-21.1
Foreign Affairs and International Trade	2,052	2,052	2,084	2,084	32	1.6
Human Resources Development	2,080	2,080	2,076	2,076	-4	-0.2
Indian Affairs and Northern Development	3,897	3,897	3,978	3,978	81	2.1
Industry/Regional Agencies	2,093	2,093	2,177	2,177	84	4.0
Veterans Affairs	1,369	1,369	1,374	1,374	5	0.4
One-time liabilities	800	800	5,450	5,450	4,650	
Other	4,134	4,134	4,520	4,520	386	9.3
Total	17,460	17,460	22,476	22,476	5,016	28.7
Crown corporations						
Canada Mortgage and Housing Corporation	1,967	1,967	1,863	1,863	-104	-5.3
Canadian Broadcasting Corporation	1,391	997	1,106	806	-191	-19.2
Other	1,465	614	806	-121	-735	-119.7
Total	4,823	3,578	3,775	2,548	-1,030	-28.8
Operating and capital expenditures						
Defence	9,051	8,661	9,240	8,879	218	2.5
All other departments	21,202	18,973	22,113	20,279	1,306	6.9
Total	30,253	27,634	31,353	29,158	1,524	5.5
Total direct program spending	52,536	48,672	57,605	54,182	5,510	11.3
Total program spending	116,396	104,820	119,953	108,753	3,933	3.8
Public debt charges	44,973	44,973	40,931	40,931	-4,042	-9.0
Total budgetary expenditures	161,369	149,793	160,884	149,684	-109	-0.1

Net expenditures for 1997-98



Source: *Public Accounts of Canada*.

corporations, and exclude certain revenues directly related to the services being provided which, on a net basis, are credited directly to the department providing the service.

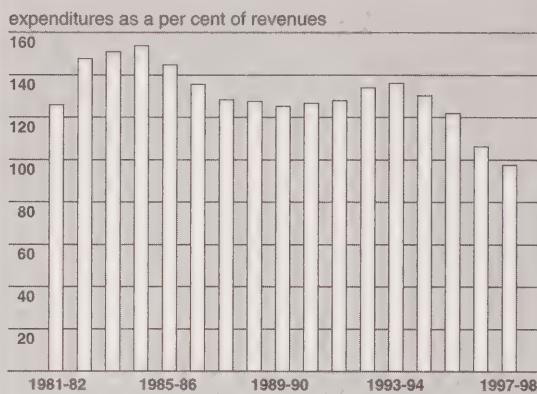
Total budgetary expenditures, on a gross basis, by the federal government amounted to \$160.9 billion in 1997-98, down \$0.5 billion from the level reported in 1996-97. Gross program spending increased by \$3.6 billion while public debt charges declined by \$4.0 billion.

Total budgetary expenditures, on a net basis, amounted to \$149.7 billion in 1997-98, down \$0.1 billion from 1996-97.

- Public debt charges were down \$4.0 billion.
- Program spending was up \$3.9 billion, all of which was due to the inclusion of one-time factors, which added \$5.5 billion to program spending in 1997-98.

As a percentage of net budgetary revenues, net budgetary expenditures, or the "expenditure ratio", stood at 97.7 per cent, down from 106.3 per cent in 1996-97. This implies that, in 1997-98, revenues exceeded total expenditures by 2.3 per cent. In 1993-94, the expenditure ratio stood at 136.2 per cent, which meant that an amount equivalent to 36.2 per cent of revenues had to be financed by borrowings. This is the first time the expenditure ratio has been below 100 per cent since 1969-70.

The expenditure ratio



Source: Department of Finance.

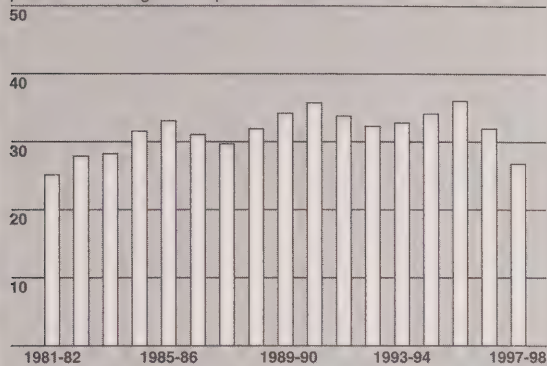
The decline in public debt charges was due to:

- a drop in the average effective interest rate on the government's interest-bearing debt (unmatured debt and pension liabilities) from 7.5 per cent in 1996-97 to 7.3 per cent in 1997-98;
- a reduction in interest-bearing debt from \$600.6 billion to \$594.8 billion; and
- a change in accounting for interest costs related to public sector pension plans which lowered public debt charges by \$2.7 billion.

In his "Observations" on the 1996-97 financial statements, the Auditor General recommended that the government follow the generally accepted accounting principles enunciated by the PSAAB, by calculating interest costs on public sector pension plans on the basis of the actuarial obligation of the pension plans, rather than the balance in the superannuation accounts. At present, the actuarial obligation is significantly lower than the balance in these accounts. In the 1998 budget, the government stated that, beginning with the 1997-98 fiscal year, it would change its accounting practices to conform with the recommendations of the PSAAB and the Auditor General.

The interest ratio

public debt charges as a per cent of revenues



Source: Department of Finance.

As a percentage of budgetary revenues, public debt charges – the interest ratio – declined from 31.9 per cent in 1996-97 to 26.7 per cent in 1997-98. Of this decline, 1.8 percentage points were attributable to the accounting change for interest costs related to public sector pension plans. The 1997-98 ratio means that the government spent about 27 cents of every revenue dollar in 1997-98 for interest on the public debt.

Net program spending – net budgetary expenditures less public debt charges – increased \$3.9 billion or 3.8 per cent in 1997-98. This increase was attributable to one-time factors which increased program spending by \$5.5 billion in 1997-98. Excluding the impact of these initiatives from the 1997-98 results, program spending would have been lower than in 1996-97.

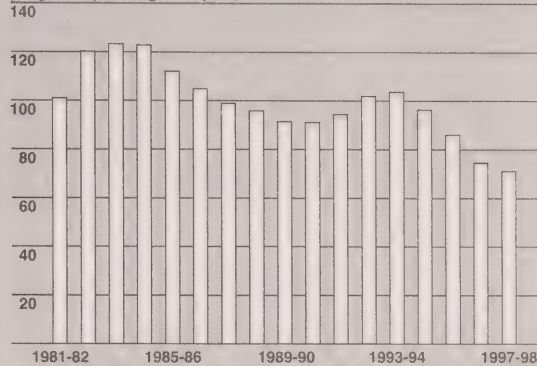
As a percentage of net revenues, program spending, or the “program share”, amounted to 71 per cent, down from 74.4 per cent in 1996-97.

Program spending can be divided into the following components:

- major transfer payments to persons;
- major transfers to other levels of government; and

Program share

program spending as a per cent of revenues



Source: Department of Finance.

- direct program spending which includes:
 - other transfers and subsidies;
 - expenditures related to Crown corporations; and
 - operating and capital costs of government departments and agencies.

Net major transfer payments to persons consist of elderly benefits and employment insurance benefits. This component increased by \$0.1 billion, or 0.2 per cent.

- Elderly benefits consist of old age security payments, guaranteed income supplement payments and spouse's allowance payments. Total benefits were up \$0.6 billion in 1997-98, reflecting higher average benefits and an increase in the number of recipients.
- Employment insurance benefits were \$0.5 billion lower than in 1996-97. This was due to a number of factors, including a decline in the number of unemployed, a drop in the proportion of unemployed eligible to receive benefits, and a decline in the average benefit. The latter two factors reflect, in part, the effects of the structural changes implemented in 1996, including changes in qualification criteria and reductions in maximum insurable earnings, benefits for repeat users and maximum benefit duration.

Major transfer payments to other levels of government include the Canada Health and Social Transfer (CHST), Equalization, transfers to the territories and Alternative Payments for Standing Programs, as well as a number of small transfer programs. Net cash transfers declined by \$1.7 billion in 1997-98 as higher transfers under fiscal arrangements (up \$0.6 billion) were more than offset by lower CHST cash transfers (down \$2.1 billion).

- In the 1995 budget, the government introduced the CHST – a new block-funded transfer – which replaced Established Programs Financing (EPF) and the Canada Assistance Plan (CAP). Total CHST entitlements were set at \$25.1 billion for 1997-98, down \$1.8 billion from 1996-97. Total entitlements – which are the most appropriate measure of federal support – are paid to the provinces in the form of tax point transfers and cash. The tax point transfer represents the value of “tax points” that the federal government made available to the provinces by reducing federal tax rates so that provinces could increase theirs by an equivalent amount, with no impact on taxpayers. The value of these tax points fluctuates with changes in the applicable tax bases – personal and corporate income taxes. The cash portion is a residual and is affected not only by the change in total entitlements but also by the growth in the value of the tax point transfer. Under current legislation, the cash entitlement cannot fall below \$12.5 billion per year for the period 1997-98 to 2002-03. Without this “floor”, the cash component would have declined to \$12.2 billion for 1997-98. In addition, adjustments relating to previous fiscal years for EPF and CAP raised the total cash transfer above \$12.5 billion in 1997-98.
- Fiscal arrangements include transfers under the Equalization Program, transfers to the territorial governments, statutory subsidies, other subsidy transfers and recoveries under the former Youth Allowance Program.

The largest of these is Equalization transfers which amounted to \$8.9 billion in 1997-98. The Equalization Program provides transfers to provinces with below-average per-capita capacity to raise revenue. These transfers enable them to provide public services that are reasonably comparable to those available elsewhere in the country without having to resort to above-average levels of taxation. Higher entitlements were recorded in 1997-98, reflecting much stronger revenue gains in the non-equalization-receiving provinces than in the equalization-receiving provinces.

- The Alternative Payments for Standing Programs represent recoveries of federal tax point abatements under contracting-out arrangements. These arrangements allowed provinces to assume the administrative and financial authority for certain federal-provincial programs. In turn, the federal government provided provinces with tax points, the value of which is netted against total entitlements and, accordingly, recovered from cash transfers. These recoveries reflect the growth in the value of the tax points.

Direct program spending – total program spending less major transfers to persons and other levels of government – consists of subsidies and other transfer payments, expenditures related to Crown corporations, and operating and capital expenditures of departments and agencies.

- Spending in this component amounted to \$54.2 billion in 1997-98, up \$5.5 billion, or 11.3 per cent, from 1996-97. This increase was attributable to the recording of the special one-time factors: the recording of liabilities for the Canada Millennium Scholarship Foundation (\$2.5 billion), compensation for hepatitis C victims (\$0.8 billion), the aboriginal healing strategy (\$0.35 billion), and the change in accounting for assistance to international financial institutions (\$1.8 billion).

Within direct program spending:

- Subsidy and other transfer payments increased by \$5.0 billion with all of the increase attributable to the special factors noted above. The Program Review restraint measures announced in the 1995 budget have resulted in fundamental changes to this component of government spending, especially affecting direct subsidies to the agricultural and industrial sectors.
- Expenditures related to Crown corporations were down \$1.0 billion. This decline was attributable to the Program Review restraint measures as well as to the improved financial situation of enterprise Crown corporations in 1997-98.
- Operating and capital expenditures include the costs of defence, government administration and of delivering specific services to the public such as:
 - health care to natives and veterans;
 - research undertaken by government departments;
 - operation of national parks and historic sites;
 - collection of taxes;
 - operation of federal correctional institutions and provision of police services; and
 - elderly benefits and employment insurance.

Spending in this area was up \$1.5 billion, or 5.5 per cent, from 1996-97. The increase was attributable to increases in the allowances for liabilities incurred during the year.

THE BUDGETARY BALANCE, FINANCIAL REQUIREMENTS/SURPLUS AND DEBT

The budgetary balance is the most comprehensive measure of the federal government's fiscal position. It is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred regardless of when the cash payment is made. The budgetary balance covers only those activities over which the government has legislative control.

In contrast, the financial requirements/surplus measure the difference between cash coming in to the government and cash going out. It differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension plans, other specified purposes accounts, and changes in other financial assets and liabilities. These activities are included in non-budgetary transactions. The conversion from accrual to cash accounting is also reflected in non-budgetary transactions.

Non-budgetary transactions in 1997-98 resulted in a net source of funds amounting to \$9.3 billion, down \$0.9 billion from 1996-97. This decline was attributable to the change in accounting for interest costs related to public sector pension plans, offset in part by the inclusion in the budgetary balance of the fiscal cost of liabilities incurred during 1997-98 for which no payment was made in that year. Although these factors impact on the budgetary balance, they have no effect on financial requirements/surplus. As a result, there is a corresponding change in non-budgetary transactions.

With a budgetary surplus of \$3.5 billion and a net source of funds from non-budgetary transactions of \$9.3 billion, there was a financial surplus, excluding foreign exchange transactions, of \$12.7 billion in 1997-98,

Table 5

Budgetary balance and financial requirements/surplus

	1993-94	1994-95	1995-96	1996-97	1997-98
	(billions of dollars)				
Budgetary balance	-42.0	-37.5	-28.6	-8.9	3.5
Non-budgetary transactions					
Loans, investments and advances	0.6	0.3	2.7	0.3	2.0
Pensions and other accounts					
Public sector pensions plans	6.2	6.9	6.8	6.3	3.3
Canada Pension Plan	-0.1	0.7	0.2	0.1	0.5
Other	0.2	1.0	0.6	0.5	0.1
Total	6.2	8.7	7.6	6.9	3.8
Other transactions	5.4	2.6	1.1	3.0	3.4
Total	12.2	11.6	11.4	10.2	9.3
Financial requirements/surplus (excluding foreign exchange transactions)	-29.8	-25.8	-17.2	1.3	12.7
Foreign exchange transactions	-2.1	-1.4	-4.7	-7.8	-2.2
Net financial balance	-32.0	-27.3	-21.9	-6.5	10.6
Net change in borrowings	31.2	27.0	28.5	7.3	-9.6
Change in cash balances	-0.7	-0.2	6.7	0.8	1.0
Cash in bank (March 31)	2.1	1.9	8.6	9.4	10.4

compared to a financial surplus of \$1.3 billion in 1996-97. This marks the second year in a row in which a financial surplus was recorded.

Financial requirements/surplus include foreign exchange transactions. Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability of the Canadian dollar in the foreign exchange market. It fulfils this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions while the selling of Canadian dollars represents a requirement. The changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. During 1997-98, foreign exchange transactions resulted in a net requirement of funds amounting to \$2.2 billion, compared to a net requirement of \$7.8 billion in 1996-97.

As a result, there was a net financial surplus – the budgetary surplus plus non-budgetary and foreign exchange transactions – of \$10.6 billion in 1997-98, compared to a net financial requirement of \$6.5 billion in 1996-97.

With this net financial surplus, the government was able to retire \$9.6 billion of its unmatured (market) debt and to increase its cash balances by \$1.0 billion. Cash balances as of March 31, 1998 stood at \$10.4 billion.

Interest-bearing debt includes unmatured debt and liabilities to the public sector pension plans and other accounts. As of March 31, 1998, interest-bearing debt amounted to \$594.8 billion, down \$5.7 billion from the level of \$600.6 billion at the end of 1996-97. As noted above, market debt was down \$9.6 billion while the liabilities to the pension plans and other accounts increased by \$3.8 billion.

Foreign holdings of the Government of Canada's outstanding market debt are estimated at \$113.8 billion at the end of March 1998. This represented 24.4 per cent of the government's total market debt – the lowest ratio since 1990-91.

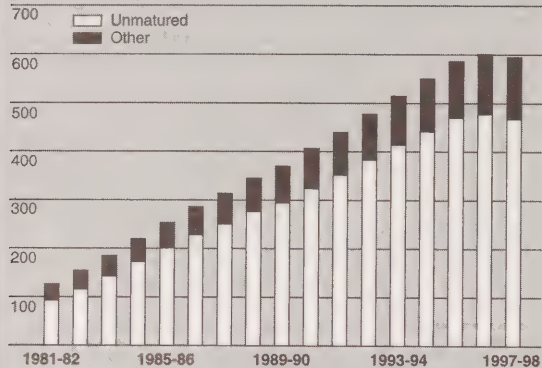
Table 6

Outstanding debt at year-end

	1993-94	1994-95	1995-96	1996-97	1997-98
	(billions of dollars)				
Interest-bearing debt					
Unmatured debt	414.0	441.0	469.5	476.9	467.3
Pension and other accounts	100.5	109.2	116.9	123.7	127.5
Total	514.5	550.2	586.4	600.6	594.8
Other liabilities	31.9	34.6	38.3	40.1	43.7
Total liabilities (gross debt)	546.4	584.8	624.7	640.7	638.5
Financial assets	38.2	39.1	50.4	57.5	58.8
Accumulated deficit (net public debt)	508.2	545.7	574.3	583.2	579.7

Interest-bearing debt

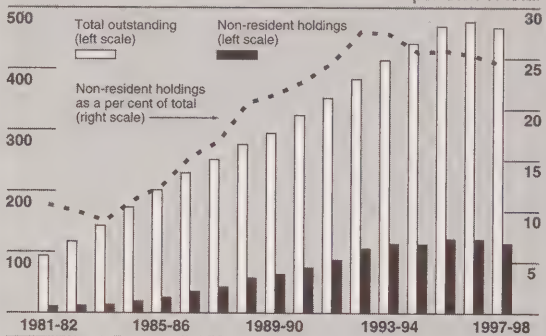
billions of dollars



Source: *Public Accounts of Canada*.

Foreign holdings of Government of Canada debt

billions of dollars



Source: Statistics Canada.

THE “SCORECARD”

This section compares the actual outcome for selected economic indicators and for the financial results with the forecasts presented in the February 1997 and 1998 budgets.

As part of the government's overall fiscal strategy, the fiscal targets are based on the average of private sector economic forecasts available at that time. In addition, a prudence factor is applied to the interest rates in the average private sector forecast and the impacts are allowed to flow through to output and inflation. This procedure reflects the advice given at a December 1993 meeting with private sector economists and the recommendations of the House of Commons Standing Committee on Finance. The fiscal targets also include a Contingency Reserve to cover risks arising from unpredictable events and unavoidable inaccuracies in the economic and fiscal models used to translate the economic assumptions into detailed budget forecasts. In 1997-98, the Contingency Reserve was at \$3.0 billion.

In the 1998 budget, the government indicated that the budget would be balanced in 1997-98. There was a budgetary surplus of \$3.5 billion for 1997-98. Budgetary revenues were \$5.7 billion higher, program spending was \$2.8 billion higher, and public debt charges were \$0.5 billion lower than estimated in the 1998 budget. Personal income tax collections were \$2.4 billion higher than estimated, primarily reflecting recoveries from the Provincial Taxation Collection Account. Corporate income tax collections were \$2.5 billion higher, in part reflecting much higher-than-expected collections in the February/March settlement period as well as recoveries from the Provincial Taxation Collection Account related to overpayments in previous fiscal years. The higher outcome for program spending was concentrated in direct program spending (up \$2.3 billion), primarily reflecting higher-than-expected end-of-year accounting adjustments.

For the 1997 budget, real economic growth of 3.2 per cent was assumed, up from 1.4 per cent in 1996. With GDP inflation of 1.5 per cent, nominal GDP was assumed to grow by 4.7 per cent in 1997. Short-term interest rates were assumed to average 4.0 per cent in 1997, down from 4.2 per cent in 1996. However, the 4.0 per cent rate included a prudence factor of 80 basis points. Long-term rates were assumed, for budget planning purposes, to be virtually unchanged at 7.1 per cent. This included a prudence factor of 50 basis points.

Real economic growth amounted to 3.7 per cent in 1997. Although this was stronger than assumed for budget planning purposes, inflation, as measured by the GDP implicit price deflator, advanced by only 0.5 per cent with the result that nominal GDP increased by only 4.2 per cent. Interest rates were much lower than assumed for budget planning purposes. Short-term rates were 80 basis points lower, while long-term rates were 100 basis points lower.

The final outcome for 1997-98 represented an improvement of \$20.5 billion from the 1997 budget deficit target of \$17.0 billion. Budgetary revenues were \$15.4 billion higher than estimated in the 1997 budget, program spending was \$3.0 billion higher, and public debt charges were \$5.1 billion lower. The Contingency Reserve of \$3.0 billion was not required.

In the 1997 budget, it was assumed that the revenue yield would decline from 17.0 per cent in 1996-97 to 16.5 per cent in 1997-98. In part, this decline reflected the impact of one-time factors which had temporarily pushed up the rate in 1996-97. However, the rate increased in 1997-98 to 17.9 per cent from a revised 17.2 per cent in 1996-97. This increase reflected much stronger growth in corporate and personal income tax collections than indicated by their respective tax bases.

Corporate income tax collections were \$6.3 billion higher than assumed in the 1997 budget while personal income tax collections were up \$4.3 billion. Part of the higher corporate income tax collections was attributable to the stronger growth in profits in those sectors with a higher average effective tax rate.

Changes in remittance procedures and strong growth in components of income not included in personal income, but subject to taxation, contributed to the higher personal income tax collections. GST collections were \$2.0 billion more than expected in the 1997 budget, reflecting stronger-than-expected growth in consumer demand.

All of the \$3.0 billion increase in program spending was attributable to the special one-time factors not anticipated at the time of the 1997 budget. Public debt charges were \$5.1 billion lower than forecast in the 1997 budget. This reflected the lower outcome for interest rates, a much lower-than-expected stock of interest-bearing debt and the impact of the change in accounting for interest costs related to public sector pension plans.

Non-budgetary transactions were \$1.7 billion lower than assumed in the 1997 budget, primarily related to the change in accounting for interest costs related to public sector pension plans. With a budgetary surplus of \$3.5 billion and a net source of funds from non-budgetary transactions of \$9.3 billion, there was a financial surplus of \$12.7 billion in 1997-98 rather than a net requirement of \$6.0 billion.

Table 7

The “scorecard”: comparison of actual results to 1998 and 1997 budget estimates

	Actual	1998 Budget	1997 Budget	Change from	
				1998 Budget	1997 Budget
(\$ billions unless otherwise stated)					
Economic indicators					
Real GDP (%)	3.7	3.8	3.2	-0.1	0.5
Nominal GDP					
Per cent change	4.2	4.5	4.7	-0.3	-0.5
\$ billions	855.1	857.0	835.0	-1.9	20.1
Interest rates					
91-day Treasury bill rate (%)	3.2	3.2	4.0	0.0	-0.8
10-year government bond rate (%)	6.1	6.1	7.1	0.0	-1.0
Financial results					
Budgetary revenues					
Personal income tax	70.8	68.4	66.5	2.4	4.3
Corporate income tax	22.5	20.0	16.2	2.5	6.3
Other income tax	3.0	2.4	2.1	0.6	0.9
Employment insurance premium revenues	18.8	18.7	19.3	0.1	-0.5
Goods and services tax	19.5	19.8	17.5	-0.3	2.0
Customs import duties	2.8	2.7	2.1	0.1	0.7
Other sales and excise taxes/duties	8.6	8.8	8.1	-0.2	0.5
Non-tax revenues	7.2	6.8	6.1	0.4	1.1
Total	153.2	147.5	137.8	5.7	15.4
Program spending					
Major transfers to persons					
Elderly benefits	22.2	22.2	22.3	0.0	-0.1
Employment insurance benefits	11.8	12.0	13.5	-0.2	-1.7
Major transfers to other levels of government					
Canada Health and Social Transfer	12.6	12.5	12.5	0.1	0.1
Fiscal arrangements	10.0	9.5	9.4	0.5	0.6
Alternative Payments for Standing Programs	-2.1	-2.1	-2.1	0.0	0.0
Direct program spending					
Subsidies and other transfers	22.5	19.6	16.5	2.9	6.0
Crown corporation expenditures	2.5	3.9	3.9	-1.4	-1.4
Defence	8.9	8.4	9.0	0.5	-0.1
All other program spending	20.3	20.0	20.8	0.3	-0.5
Total	108.8	106.0	105.8	2.8	3.0
Public debt charges	40.9	41.5	46.0	-0.6	-5.1
Contingency Reserve			3.0		-3.0
Budgetary balance	3.5	0.0	-17.0	3.5	20.5
Non-budgetary transactions	9.3	12.0	11.0	-2.7	-1.7
Financial requirements/surplus (excluding foreign exchange transactions)	12.7	12.0	-6.0	0.7	18.7



OPINION OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance:

The accompanying condensed statements of revenues and expenditures, assets and liabilities and changes in financial position are derived from the complete financial statements of the Government of Canada as at March 31, 1998 and for the year then ended on which I expressed a qualified opinion in my report dated July 27, 1998. My opinion stated that except for the recording of a transaction related to the Canada Millennium Scholarship Foundation as if it were a liability and an expenditure, which understates the 1997-98 surplus by \$2.5 billion and overstates accounts payable and accrued liabilities as well as the accumulated deficit by the same amount, the complete financial statements are, in all material respects, fairly presented. My opinion also stated that the complete financial statements present information in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements and, except for the changes in accounting policies for assistance to international financial institutions, interest costs on obligations for public sector pensions, and transfer payments, the Government's stated accounting policies have been applied on a basis consistent with that of the preceding year. The fair summarization of the complete financial statements is the responsibility of the Government. My responsibility is to report on the condensed financial statements.

In my opinion, the accompanying condensed financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants.

These condensed financial statements do not contain all the disclosures required for a full and fair presentation of the Government's financial position, results of operations and changes in financial position. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Government's financial position, results of operations and changes in financial position, reference should be made to the related complete financial statements to be included in Volume I of the 1998 *Public Accounts of Canada*, expected to be tabled in the House of Commons later this year.

A stylized, cursive signature of L. Denis Desautels.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 27, 1998

CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide Parliament and the public with an overview of the financial affairs and resources for which the government is responsible. Responsibility for the integrity and objectivity of these statements rests with the government.

The condensed financial statements reflect the financial position of the government at the end of the year, as well as results of its operations, and changes in its financial position for the year. These financial statements and the accompanying notes are extracted and condensed from the audited financial statements included in

Table 8

Government of Canada Condensed statement of revenues and expenditures for the year ended March 31, 1998

	1998	1997
	(millions of dollars)	
Revenues		
Tax revenues		
Income tax	101,142	87,989
Excise taxes and duties	33,752	31,970
Employment insurance premiums	18,802	19,816
	<u>153,696</u>	<u>139,775</u>
Non-tax revenues	10,666	12,697
Total gross revenues	164,362	152,472
Amounts deducted to arrive at net revenues	11,200	11,576
Total net revenues	153,162	140,896
Expenditures		
Transfer payments		
Old Age Security and related payments	21,758	21,207
Other levels of government	20,504	22,162
Employment insurance benefits	11,842	12,380
Other transfer payments	28,909	25,571
	<u>83,013</u>	<u>81,320</u>
Crown corporation expenditures	3,775	4,823
Other program expenditures	31,142	30,253
Total gross program expenditures	117,930	116,396
Amounts deducted to arrive at net program expenditures	11,200	11,576
Total net program expenditures	106,730	104,820
Interest on debt	43,620	44,973
Total net expenditures	150,350	149,793
Surplus (deficit) for the year before changes in accounting policies	2,812	(8,897)
Net effect of changes in accounting policies	666	—
Surplus (deficit) for the year	3,478	(8,897)
Accumulated deficit		
Beginning of year	583,186	574,289
End of year	579,708	583,186

Table 9

Government of Canada
Condensed statement of assets and liabilities
as at March 31, 1998

	1998	1997
	(millions of dollars)	
Liabilities		
Payables, accruals and allowances		
Accounts payable and accruals	32,783	29,667
Allowances for guarantees and employee benefits	10,917	10,433
Interest-bearing debt	43,700	40,100
Unmatured debt		
Marketable bonds	294,583	282,498
Treasury bills	112,300	135,400
Canada Savings Bonds	29,769	32,470
Bonds for Canada Pension Plan	3,456	3,468
Total payable in Canadian currency	440,108	453,836
Payable in foreign currencies	27,183	23,016
	467,291	476,852
Pension and other accounts		
Public sector pensions	117,457	114,205
Canada Pension Plan (net of securities)	4,205	3,718
Other	5,872	5,782
	127,534	123,705
<i>Total interest-bearing debt</i>	<i>594,825</i>	<i>600,557</i>
Total liabilities	638,525	640,657
Assets		
Cash and accounts receivable		
Cash	11,691	10,175
Accounts receivable	4,122	4,416
	15,813	14,591
Foreign exchange accounts	28,968	26,813
Loans, investments and advances		
Enterprise Crown corporations	12,601	13,842
National governments and international organizations	6,869	8,691
Other	3,832	4,088
	23,302	26,621
Less: Allowance for valuation	9,266	10,554
	14,036	16,067
Total assets	58,817	57,471
Accumulated deficit	579,708	583,186

Section 1 of Volume I of the 1998 *Public Accounts of Canada*, which are expected to be tabled in Parliament later this year. These condensed financial statements were prepared by the Government of Canada in accordance with the accounting policies set out in the accompanying notes on a basis consistent with that of the preceding year, except for the changes in accounting policies explained in the notes.

As these condensed financial statements are, by their nature, summarized, they do not include all disclosure required for financial reporting by governments in Canada. Readers interested in the disclosure of more detailed data should refer to the audited financial statements in the Public Accounts.

Table 10

Government of Canada
Condensed statement of changes in financial position
for the year ended March 31, 1998

	1998	1997
	(millions of dollars)	
Cash provided by operating activities		
Surplus (deficit) for the year	3,478	(8,897)
Add expenditures not requiring cash	13,867	9,228
	17,345	331
Net payments from pension and other accounts	(5,110)	(3,902)
Net change in receivables, payables and accruals	(470)	4,165
	11,765	594
Cash provided by investing activities		
Net decrease in loans, investments and advances	1,467	991
Cash provided by (required for) foreign exchange activities		
Net increase in foreign currencies borrowings	4,167	6,207
Less net increase in foreign exchange accounts	2,155	7,759
	2,012	(1,552)
Net cash generated before financing activities	15,244	33
Cash used for (provided by) financing activities		
Net decrease (increase) in Canadian currency borrowings	13,728	(1,098)
Net increase in cash	1,516	1,131
Cash at beginning of year	10,175	9,044
Cash at end of year	11,691	10,175

Government of Canada
Notes to the Condensed Financial Statements

Introduction

These notes are a brief summary of the accounting policies followed by the Government of Canada and other explanatory material related to these condensed financial statements. For more detailed notes on accounting policies and for more extensive information on the financial position and results of operations of the government, the reader should refer to the audited financial statements in Section 1 of Volume I of the 1998 *Public Accounts of Canada*.

Significant accounting policies

Reporting entity

The Government of Canada as a reporting entity includes the financial activities of all departments, agencies, corporations and funds which are owned or controlled by the government and which are accountable to Parliament, except for enterprise Crown corporations which are not dependent on the government for financing their activities. These corporations are reported as investments at their original cost

adjusted by an allowance for valuation to reflect their annual profits or losses. The Canada Pension Plan, which is under joint control of the government and participating provinces, is excluded from the entity. It is financed from contributions by employees, their employers, and self-employed persons, and interest earned on investments which are mainly in provincial government securities.

Basis of accounting

The government accounts for transactions on an accrual basis with two notable exceptions:

- Tax revenues and related refunds are generally accounted for on a cash basis (when taxes are collected and refunds are paid out), except for certain significant refunds which are reported on an accrual basis.
- Capital assets and inventories are fully charged to expenditures at the time of acquisition or construction.

As a consequence, the only assets recorded on the Condensed Statement of Assets and Liabilities are financial assets, as they can provide resources to discharge liabilities or finance future operations. These assets include cash, gold, receivables, as well as loans, investments and advances. Assets are recorded at the lower of cost or net realizable value, except for gold (1998 – 3.1 million ounces at \$66.38 per ounce; 1997 – 3.1 million ounces at \$67.20 per ounce), which is valued at its approximate cost in foreign currency terms.

Liabilities are recorded on an accrual basis. Certain non-recurring transfer payments are accrued when announced by the government prior to the year-end if they subsequently receive appropriate parliamentary approval. Public sector pension and severance liabilities are determined on an actuarial basis. Valuation allowances are established for outstanding loan guarantees, concessionary and sovereign loans, and other obligations. Unmatured debt is recorded at face value with foreign currency amounts translated to Canadian dollar equivalents using rates at March 31.

Some amounts in these statements are based on estimates and assumptions made by the government. Such amounts include public sector pension obligations, valuation allowances for loans, investments and advances, borrowings of Crown corporations, expenditures related to contingent liabilities, and transfer payments and liabilities for tax collections to other levels of government. By their nature, such estimates are subject to measurement uncertainty, although all of them are believed to be reasonable. If actual events differ from these estimates and assumptions, this could have a significant effect on the results reported in the condensed financial statements in future years.

Comparative figures for 1997 are reclassified to conform to the current year's presentation, except for the impact of the changes in accounting policies described below.

Changes in accounting policies

In 1998, changes have been made in accounting for assistance to international financial institutions, and for interest costs on obligations for public sector pensions. Their net impact is to increase the surplus for 1998 by \$0.7 billion. The one-time change in accounting for assistance to international financial institutions decreases loans, investments and advances, and the surplus for 1998 by \$1.8 billion. The reduction of interest costs on obligations for public sector pensions after April 1, 1997 increases the surplus for 1998 and decreases the liability for public sector pensions by \$2.5 billion.

Reporting of revenues and expenditures on a gross basis

Detailed amounts on the Condensed Statement of Revenues and Expenditures are presented on a full (gross) disclosure basis only. The Statement of Revenues, Expenditures and Accumulated Deficit in the audited financial statements in the Public Accounts presents amounts on both a gross and net basis.

Gross revenues include revenues of consolidated Crown corporations, and revenues of government departments which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditures include expenditures determined through the tax system, such as child tax benefits and quarterly GST tax credits, that are deducted from revenues on the net basis.

Authorities for transactions

Authority of Parliament is required before revenue can be raised and moneys spent or borrowed by the government. Spending authorities on a net basis granted by Parliament were \$152.7 billion (\$153.5 billion in 1997), whereas \$149.7 billion (\$149.8 billion in 1997) was spent. Of the total borrowing authority available of \$4.0 billion (\$18.7 billion in 1997), none (\$6.8 billion in 1997) was used.

Significant transactions

Certain significant transactions recorded as other transfer payments in expenditures and as liabilities of the government during the year include a \$2.5 billion grant to the Canada Millennium Scholarship Foundation. The decision to make this grant was announced by the government in the February 1998 Budget and received parliamentary approval in June 1998. Other transfer payment transactions recorded include the government's \$0.8 billion share of financial assistance to persons who contracted Hepatitis C through the Canadian blood system between 1986 and 1990, and disaster financial assistance of \$0.6 billion.

Unmatured debt

The following table presents the amounts of unmaturing debt that will mature during the next 5 years.

Maturing year	Amount (in billions of \$)
1999	164.5
2000	45.2
2001	29.7
2002	25.2
2003	28.2

The effective average annual interest rates for debt with a fixed term range from 5.87 to 10.22%, while the rates for debt with variable terms range from 3.61 to 5.49%.

Public sector pensions

Public sector pension liabilities are estimated annually using the government's best assumptions for demographic and economic factors affecting these pension obligations. Separate funds are not set aside to provide for payment of public sector pension benefits. Changes in assumptions can result in significantly higher or lower estimates of these liabilities.

Contractual commitments

The nature of the government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. Contractual commitments pertain to transfer payment agreements, operating and capital leases, benefit plans for veterans, capital asset acquisitions and other purchases, and funding of international organizations. At March 31, 1998 contractual commitments amounted to approximately \$29.4 billion (\$27.0 billion in 1997). Estimated annual payments related to these commitments for the next five years decrease from \$7.8 billion in 1999 to \$3.7 billion in 2003.

Contingent liabilities

The contingent liabilities of the government, generally, are potential liabilities which may become actual liabilities when it is likely that a future payment will be made and the amount of the potential loss can be reasonably determined. Contingent liabilities result from the exercise of guarantees; environmental contingencies; callable share capital in international organizations; claims, and pending and threatened litigation; and like items. At March 31, 1998, these contingent liabilities amounted to approximately \$71.7 billion (\$71.7 billion in 1997).

Insurance programs are operated by three enterprise Crown corporations for the government on a self-sustaining basis. In the event that the corporations have insufficient funds, the government will have to provide financing. Insurance in force at March 31, 1998 amounted to approximately \$485 billion (\$462 billion in 1997). The government expects that it will not incur any costs to cover the claims for these insurance programs.

Other sources of information

The Public Accounts of Canada

The *Public Accounts of Canada*, as required under Section 64(1) of the *Financial Administration Act*, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the government's audited financial statements and supporting schedules and information; and
- Volume II contains details of financial operations by Ministry (Part I) and additional information and analyses (Part II).

The Budget

The budget that is introduced, usually in February, presents the government's overall fiscal plan, incorporating revenue projections and spending plans which combine to determine the resulting budgetary deficit. The budget also introduces proposals for changes in taxation.

The Estimates

The Estimates are the detailed annual expenditure plans submitted to Parliament each spring. The Estimates are presented in three parts:

- Part I presents an overview of the government's expenditure plan;
- Part II outlines spending according to departments, agencies and programs; and
- Part III provides additional detail on each department and its programs.

The Debt Management Strategy

This annual document provides an overview of the federal government's borrowing operations. It outlines the key elements of current federal debt strategy and describes various strategic and operational aspects of the government's debt program and cash management activities over the past fiscal year.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the government together with the reasons underlying major variances.

